ILPA Quarterly Reporting Standards Initiative

Project Overview and Next Steps

May 3, 2024

Agenda

ILPA QRSI Overview

Additional Areas of Coverage

Next Steps

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Additional Areas of Coverage

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ILPA Quarterly Reporting Standards

Objectives & Scope

To deliver the **next evolution** of ILPA quarterly reporting standards and to ensure templates and guidance are updated in accordance with the new ruleset, ILPA is engaging with the industry to assist in enhancing/updating our templates and guidance. The overall goal is to allow for appropriate time for industry adoption by **completing all updates by end July/early August in advance of the 1Q 2025 compliance deadline**.

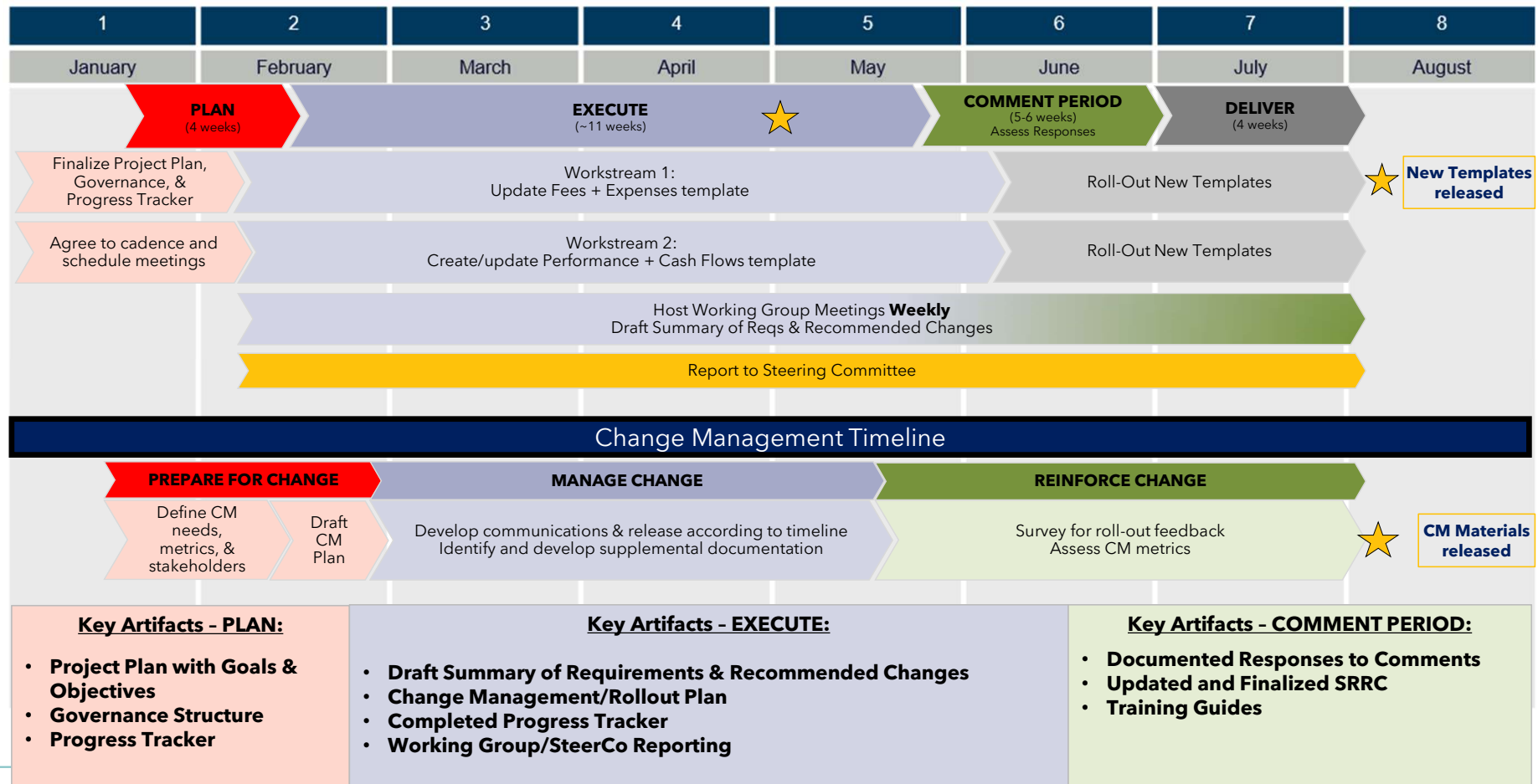| Objectives	Scope

• Establish two working groups, with separate focuses on:
    • Fees + Expenses
    • Performance + Cash Flows
 	
• Engage with working groups weekly over a four-month period starting in February and wrapping up in May (plus time post comment period)
 	
• Hold a five to six-week comment period starting in May/June to allow the industry to assess and provide feedback on proposed changes
 	
• Distribute updated templates and guidance to the industry by July to enable adoption with the 1Q 2025 compliance deadline in mind
	• Updated templates and guidance, including:
	    • SEC requirements
	    • ILPA recommendations
	    • Additional improvements to existing templates and guidance
	
	• Training guides to assist in overall adoption
	
	• Periodic industry updates throughout the project lifecycle

ILPA Quarterly Reporting Standards

Why?

Why?

- **Next evolution** – ILPA has a history of standardizing reporting (see ILPA Reporting Template) and running complex projects in a transparent manner - this is simply the next evolution of ILPA reporting standards

- **Updated in accordance with the new ruleset** – from the final PFA release, the Quarterly Statements specific rule language + definitions are 3.5 pages and the written commentary is 100 pages – however, there remains significant grey area and room for interpretation with individual orgs recognizing safety in numbers

- **Adoption of standards** – while top-down requirements are pushed from the SEC, to fully maximize the positive benefits of the Quarterly Statements rule, it is necessary to have a standardized template available for adoption by "preparers" for the use of "consumers" of the data – both from a compliance standpoint (see "safety in numbers above) and from an efficiency standpoint

- By taking on this project, ILPA aims to **prevent the following**:
    - A black box situation where new templates are revealed for the first time to the wider industry in late July/early August 2024 (or even worse – 1Q2025) with the industry unaware the work is underway
    - Service providers and IT teams across the industry being caught off guard with the required implementation focus in their 2024-2025 project planning
    - Individual Fund Admins, GPs, Law Firms, Compliance Firms, etc. needing to independently determine how to update their systems/reporting/guidance to comply with the Quarterly Statements rule by 1Q25
    - Individual LPs being unaware of how the new design compares to existing reporting and unfamiliar with what they can expect starting 1Q25
    - Only garnering participation and support from participants directly impacted by SEC regulations
    - Industry abandoning these critical efforts – and next evolution of ILPA Reporting Standards - should the PFA be vacated through the current litigation
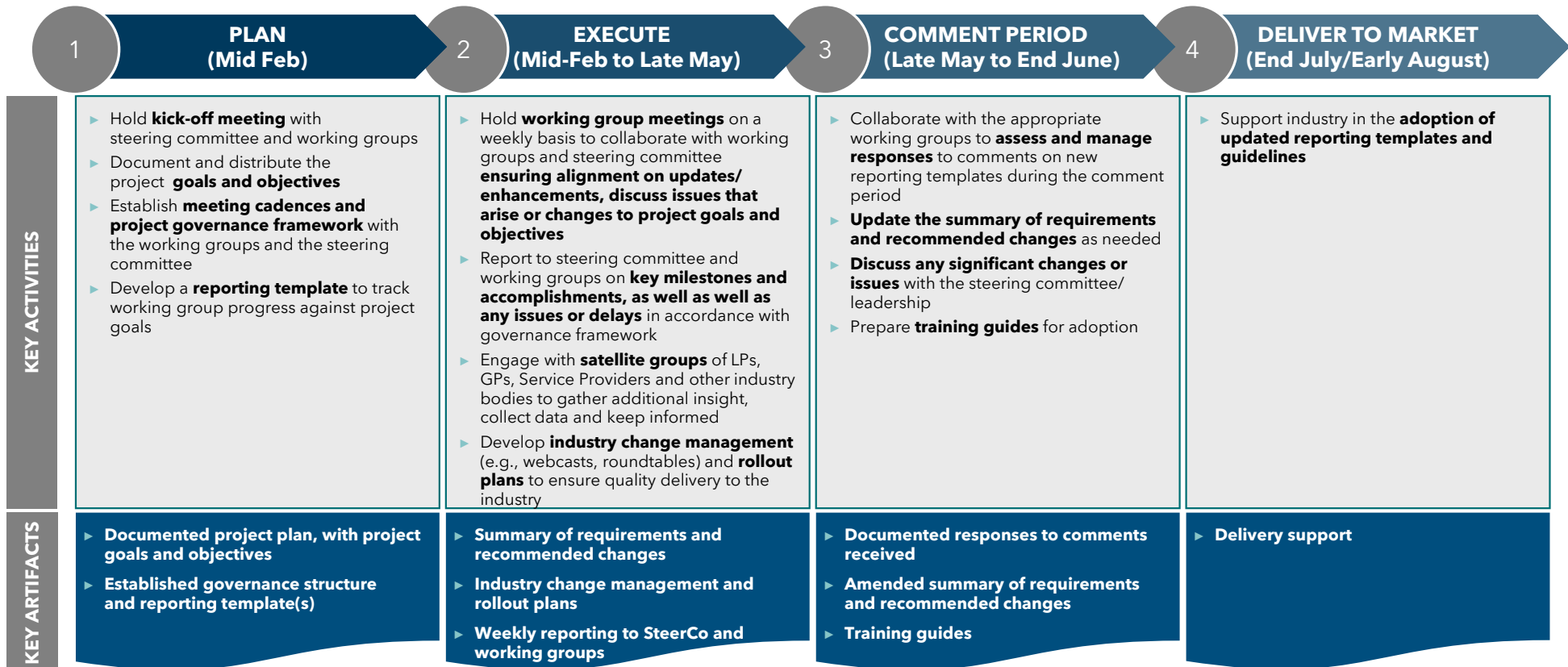
ILPA Quarterly Reporting Standards

Project Plan

1	2	3	4	5	6	7	8
January	February	March	April	May	June	July	August

PLAN (4 weeks) — **EXECUTE** (~11 weeks) ⭐ — **COMMENT PERIOD** (5-6 weeks) Assess Responses — **DELIVER** (4 weeks)

Finalize Project Plan, Governance, & Progress Tracker

Workstream 1: Update Fees + Expenses template — Roll-Out New Templates

Agree to cadence and schedule meetings

Workstream 2: Create/update Performance + Cash Flows template — Roll-Out New Templates

Host Working Group Meetings **Weekly**
Draft Summary of Reqs & Recommended Changes

Report to Steering Committee

⭐ **New Templates released**

Change Management Timeline

PREPARE FOR CHANGE — **MANAGE CHANGE** — **REINFORCE CHANGE**

Define CM needs, metrics, & stakeholders

Draft CM Plan

Develop communications & release according to timeline
Identify and develop supplemental documentation

Survey for roll-out feedback
Assess CM metrics

⭐ **CM Materials released**

Key Artifacts – PLAN:

- **Project Plan with Goals & Objectives**
- **Governance Structure**
- **Progress Tracker**

Key Artifacts – EXECUTE:

- **Draft Summary of Requirements & Recommended Changes**
- **Change Management/Rollout Plan**
- **Completed Progress Tracker**
- **Working Group/SteerCo Reporting**

Key Artifacts – COMMENT PERIOD:

- **Documented Responses to Comments**
- **Updated and Finalized SRRC**
- **Training Guides**

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Project Phases

	1	PLAN (Mid Feb)	2	EXECUTE (Mid-Feb to Late May)	3	COMMENT PERIOD (Late May to End June)	4	DELIVER TO MARKET (End July/Early August)

KEY ACTIVITIES

PLAN (Mid Feb)
- Hold **kick-off meeting** with steering committee and working groups
- Document and distribute the project **goals and objectives**
- Establish **meeting cadences and project governance framework** with the working groups and the steering committee
- Develop a **reporting template** to track working group progress against project goals

EXECUTE (Mid-Feb to Late May)
- Hold **working group meetings** on a weekly basis to collaborate with working groups and steering committee **ensuring alignment on updates/ enhancements, discuss issues that arise or changes to project goals and objectives**
- Report to steering committee and working groups on **key milestones and accomplishments, as well as well as any issues or delays** in accordance with governance framework
- Engage with **satellite groups** of LPs, GPs, Service Providers and other industry bodies to gather additional insight, collect data and keep informed
- Develop **industry change management** (e.g., webcasts, roundtables) and **rollout plans** to ensure quality delivery to the industry

COMMENT PERIOD (Late May to End June)
- Collaborate with the appropriate working groups to **assess and manage responses** to comments on new reporting templates during the comment period
- **Update the summary of requirements and recommended changes** as needed
- **Discuss any significant changes or issues** with the steering committee/ leadership
- Prepare **training guides** for adoption

DELIVER TO MARKET (End July/Early August)
- Support industry in the **adoption of updated reporting templates and guidelines**

KEY ARTIFACTS

PLAN
- **Documented project plan, with project goals and objectives**
- **Established governance structure and reporting template(s)**

EXECUTE
- **Summary of requirements and recommended changes**
- **Industry change management and rollout plans**
- **Weekly reporting to SteerCo and working groups**

COMMENT PERIOD
- **Documented responses to comments received**
- **Amended summary of requirements and recommended changes**
- **Training guides**

DELIVER TO MARKET
- **Delivery support**

ILPA Quarterly Reporting Standards

Project Structure

Group	Breakout	Composition
Steering Committee	---	5 LPs, 4 GPs, 1 FoF, 2 Fund Admins
Working Group	Fees + Expenses	4 LPs, 3 GPs, 1 FoF, 5 Fund Admins, 2 Consultants
Working Group	Performance + Cash Flows	4 LPs, 4 GPs, 1 FoF, 3 Fund Admin, 2 Consultants, 1 Compliance Firm
Satellite Group	LPs	LPs
Satellite Group	GPs	GPs
Satellite Group	Fund of Funds	Fund of Funds
Satellite Group	Emerging Managers	Emerging Managers
Satellite Group	Fund Admins	Fund Admins Accounting Specialist
Satellite Group	Law Firms	Law Firms Compliance Firms
Satellite Group	Consultants	Consultants
Satellite Group	Tech Providers	Tech Providers
Satellite Group	Industry Groups	LP Associations/Industry Bodies GP Associations/Industry Bodies
Keep Informed	---	Blend of All the Above

ILPA Quarterly Reporting Standards

Overview of Updates to Existing Templates and Standards

Rule Area	Template	Account Level	Periodicity	Desired Outcomes

Across All Rule Areas				• Create and update templates/frameworks to capture information at the SEC required level with ability to also provide the ILPA recommended level alongside – *and address instances where there is disagreement with elements of the SEC required*
				• Approach to include prominent disclosure of the method of how all expenses, payments, allocations, rebates, waivers and offsets are calculated, including *cross references* to the sections of the private fund's organizational/offering documents that set forth the applicable calculation methodology
				• Develop format that facilitates review from one quarterly statement to the next
				• Delivery within the required timeframe:
				  • <u>Non-Fund of Funds</u>: 45-days post fiscal QE/90-days post fiscal YE
				  • <u>Fund of Funds</u>: 75-days post fiscal QE/120-days post fiscal YE
				• Ensure compliance with consolidated reporting for "similar pools of assets", Marketing Rule and Recordkeeping Rule

Fees + Expenses (*Fund Table*) Fees + Expenses WG	ILPA Reporting Template	• Fund-level (required) • LP-level + GP-level (recommended)	• QE (required) • YTD + ITD (recommended)	• Make known improvements to ILPA Reporting Template • Build upon existing line-items to introduce more exhaustive/mutually exclusive list – with clear definitions and views on appropriate bucketing for consistency – and appropriate treatment for before and after application of offsets, rebates and waivers: • *Fund Table – Partnership Expenses:* fees/expenses allocated to or paid by the fund
Fees + Expenses (*Portfolio Investment Table*) Fees + Expenses WG	ILPA Reporting Template	• Fund-level (required) • LP-level (recommended)	• QE (required) • YTD + ITD (recommended)	• *Fund Table – Advisor Compensation:* compensation fees and other amounts allocated or paid to the investment adviser/related persons • *Portfolio Investment Table:* compensation, fees and other amounts allocated or paid to the investment adviser/related persons by the portfolio investment for **each** portfolio investment

Performance + Cash Flows
Performance + Cash Flows WG
	ILPA Capital Calls/Dist. Template
	(*Elements of*)
		• Fund-level (required)
		• LP-level (recommended)
			• ITD (required)	• Create Performance Metrics template
				• Utilize relevant elements of ILPA Capital Calls/Dist. Template
				• Leverage work done with existing standards to identify standardized inputs and methodology (where possible) and create framework for recommendations to inputs and methodology (where necessary) – across both performance metrics and disclosures/criteria/assumptions:
				  • Net IRR and Net MOIC, Gross IRR and Gross MOIC, Gross IRR and Gross MOIC for the realized + unrealized portion of portfolio
				  • All metrics with and without impact of any fund-level subscription facilities
				  • All capital inflows and capital outflows from inception to quarter-end, quarter ending NAV

ILPA Quarterly Reporting Standards

Additional Areas of Coverage

- Clarity with Related Persons
- Definition of Fund Reporting Entity
    - GAAP vs. Consolidated Reporting with Similar Pools of Assets
- Implications for Fund of Funds
- Surfacing all questions, issues, and disagreement with SEC Requirements

ILPA Quarterly Reporting Standards

Next Steps

- Bookmark the ILPA QRSI project landing page for initiative updates, support materials, and more
  - ILPA Quarterly Reporting Standards Initiative
- Stay up-to-date by reading each ILPA News Article, published each month through the end of the project
- Later in May, look out for the next wave of recordings and materials added to the ILPA QRSI project landing page
- Also in late May, the QRSI team will launch the Comment Period to gather feedback on the templates through the end of June
- For **Satellite Group** and **Keep Informed** participants:
  - Additional feedback surveys prior to, during, and following the Comment Period to facilitate greater opportunities to engage in the effort
  - Additional email updates with progress and views into the final product
  - Additional monthly Satellite Group meetings, with the next wave targeted for late May
  - Sign up to participate in the Satellite Group or Keep Informed on the project landing page

Thank You!

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May 3, 2024