



CALIFORNIA STATE TREASURER JOHN CHIANG

NEWS RELEASE

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Pew Charitable Trust Calls on Wall Street Private Equity Firms to Disclose Fees

SACRAMENTO – The Pew Charitable Trust agrees. Greater transparency is needed when it comes to the fees private equity and other investment managers charge public pension investors. And not only in California, but across the nation.

A newly released [Pew research](#) report, echoing the concerns of California State Treasurer John Chiang and others, recommends comprehensive reporting standards for all costs, including “carried interest” earned by private equity fees. Yearly undisclosed private equity fees can reach 1.5% of a fund’s assets, according to Pew.

Some 37% of the pension funds Pew reviewed did not clearly indicate what have become known as “shadow” fees being paid to investment managers.

“Too much compensation information remains missing,” Chiang said. With respect to private equity, the treasurer has pushed for “removing the shroud of secrecy over an investment class which is both controversial and vital to our investment strategy.”

The report lands as California lawmakers are set to take up legislation sponsored by the treasurer that would require private equity managers to disclose all fees charged to California public pension funds and their trustees. The legislation, AB 2833, was authored by Assemblyman Ken Cooley, D-Rancho Cordova.

Pew researchers looked at the fee disclosure policies of the nation’s largest funds, which account for 95% of all public pension fund assets or \$2.9 trillion. The funds paid \$10 billion in management fees in 2014. That’s an increase of 30% over the past decade. Much of the increase is attributed by Pew to an increase in the allocation of state assets to Wall Street private equity and hedge funds.

“We can’t afford a ‘business as usual’ attitude,” Chiang said. “Every dollar paid to Wall Street managers of hedge and private equity funds is a dollar that could be going instead to ensure pension benefits are adequately funded - and to minimize costs to our taxpayers. Increasing transparency is a necessary step that I hope will lead to a broader discussion about the appropriate level of fees that should be paid.”

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