

US pension plans urged to band together

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Senior investment professionals from large US public pension funds at Pension Bridge's Private Equity Exclusive conference in Chicago are urged to band together to improve reporting standards.

Coinciding with the news that 13 US pensions plans had sent a letter to the SEC to urge for clear guidelines on GP reporting, pension fund representatives speaking in Chicago believe GP transparency is improving, but that more progress is needed overall, especially on reporting standards.

When asked about the most important things when evaluating managers, LPs at Pension Bridge's Private Equity Exclusive conference brought up the usual areas of performance: track record, tenure of the management team and how long they've worked together.

But Mary Scott Dwight, general counsel at the Texas Treasury Safekeeping Trust Company, who was moderating an LP panel, asked why no one mentioned transparency.

"Part of the reason is that transparency has gotten a lot better, we've come a long way in being able to communicate and talk to managers and [see] what they're investing in and how their strategies work," said Chicago Teachers Pension Fund director of investments Angela Miller May.

Scott Dwight said her own fund requires managers to disclose all their fees and expenses. "We need to think about headline risk from where we sit, we don't want to read about it in a newspaper."

"Fees are a huge discussion in Chicago, we're constantly looking at fees and making sure we are negotiating the best ones," Miller-May said.

In Illinois and Chicago especially, where a lot of pensions are severely underfunded, cutting costs is a big topic. That's part of the reason why Chicago Teachers wants to keep its private equity manager relationships low.

"That's why we're staying at the 10 manager line, because more managers mean more fees," Miller-May said.

Speaking on another panel, David Fann, president and chief executive at consulting firm TorreyCove Capital Partners, said that transparency around carried interest and its disclosure remains a big issue.

Speaking in the week that 13 US pensions plans that had sent a letter to the SEC to urge for clear guidelines on GP reporting, Fann said: “All you guys in the public pension fund world are always being scrutinised.”

He added it was only a matter of time before pensions get FOIA (Freedom of Information Act) requests from journalists on carried interest and should get ahead of this.

“Pensions should band together, galvanize their consultants and improve ILPA reporting standards on capital calls,” he said.