

Investment Fee TRANSPARENCY



PSERS is one of the most transparent large public pension funds in the nation.



PSERS is one of the few public pension funds in the country to report carried interest.



Fee Reporting

Many pension funds report little or no management fees for alternative investments because they are considered part of the cost of the investment and are netted against performance rather than shown separately.

PSERS, however, obtains management fee information from its limited partnerships, and collective trust fund investments as well, even if it is not specifically disclosed in the fund's standard reports. This information is then used to report all relevant management fees in PSERS' financial statements. In addition, PSERS reports all other investment expenses, including staff compensation and overhead, consultant, legal, and bank expenses incurred.

PSERS has fully embraced the Institutional Limited Partners Association (ILPA) investment fee reporting standards and has made the ILPA reporting template a mandatory term for all private manager contracts approved by the Board since May 2016.

PSERS:

- ✓ Aggressively negotiates fees.
- ✓ Works to structure fee arrangements that align interests of the investment manager with those of PSERS.
- ✓ Expanded efforts to reduce base fees going forward in exchange for profit-sharing fees, thus creating greater incentives for exceptional performance.

PSERS Base Fee and Profit-Sharing

Investment managers can be compensated in two ways, first through an annual base fee, and secondly, assuming the manager has outperformed investors' expectations, the manager earns a share of the profits.

Profit share is not automatic; it is only paid when the manager generates profits that exceed a specified return level known as the hurdle rate. If the hurdle rate of return is not exceeded, the investment manager does not receive any profit share.

