



CALIFORNIA STATE TREASURER JOHN CHIANG

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Treasurer Chiang Issues Statement Regarding Disclosure of Fees Paid to Private Equity Investment Firms

SACRAMENTO – Here is a statement from California State Treasurer John Chiang regarding today's disclosure by the California Public Employees' Retirement System (CalPERS) of some fees paid to private equity investment firms.

CalPERS announced Tuesday that it has paid \$3.4 billion in profit-sharing to its private equity investment partners between 1990 and June 30, 2015. CalPERS said it received 24.2 billion in net gains on those investments over the same period.

"Millions of public and private sector workers have entrusted their retirement to either pension funds or 401Ks with substantial stakes in private equity investments. As a recent federal enforcement action revealed, the hidden fees and incomplete disclosures that are commonplace in the \$3.9 trillion private equity industry, are robbing us of the ability to determine the true risks and rewards of these investments. Shadow fees, which the private equity industry arrogantly defends as 'trade secrets,' should be fully disclosed for the simple reason that every dollar paid to Wall Street firms is one less for retirees who depend on returns to fund their retirement security.

"I applaud the California Public Employees' Retirement System for releasing some long-anticipated figures on how much it pays its private equity managers. It is a meaningful first step in removing the shroud of secrecy over an investment class which is both controversial and vital to our investment strategy. However, too much compensation information remains missing and no amount of profit sharing returns should cause us to turn a blind eye to demanding full transparency and accountability from firms which call themselves our 'partners.' With any other investment class, it would be a no-brainer to demand full disclosure of all fees and costs.

This is why I will sponsor legislation in 2016 to place full fee disclosure requirements on private equity firms wanting to do business with any public pension fund in California. I will be working closely with staff at CalPERS and the California State Teachers' Retirement System as well as with the International Limited Partner Association to develop these transparency requirements."

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