



CLINT ZWEIFEL
MISSOURI STATE TREASURER

July 22, 2015

Dear Board Members,

As chair of the National Association of State Treasurers Pension and Trust Committee, I have been working with State Treasurers across the country to call upon the U.S. Securities and Exchange Commission to require that general partners improve private equity fee disclosures and implement consistent reporting standards. Earlier this year, financial benchmarking company CEM released a report highlighting some of the gaps in this area.

Illiquid investments have been an important part of MOSERS strategic asset allocation, representing approximately 20 percent of MOSERS' portfolio at more than \$2 billion in investments.

Private equity can be a valuable asset class for public funds, but as with any instance of handling public money, transparency is essential. This represents the main challenge with private equity investments. The gaps in transparency and consistent fee reporting have made it difficult for investors to determine the true cost of private equity investing without a substantial and burdensome amount of research. Additionally, as we've previously stated, it becomes difficult to compare pension fund costs, knowing each fund uses different data for reporting.

For instance, I know that MOSERS reports its core costs more completely than many funds, yet we still only account for 70 to 80 percent of private equity costs in the Comprehensive Annual Financial Report (CAFR). While the NAST effort at the federal level might lead to necessary change in the future, I would like to see MOSERS take a leadership role in demanding more for both taxpayers and beneficiaries by developing a simple way to account for and report the full breadth of the private equity fees in our CAFR. Part of that is demanding more transparent reporting and accounting for these fees from our private equity providers.

Technological advancements and consumer expectations over the last several decades have led to increased price transparency in nearly every market. Those disclosures have resulted in more competition and thus more consumer power. As MOSERS and public pension funds around the

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country demand more transparency in private equity fee disclosures, taxpayers, employees and retirees all benefit like those consumers.

I look forward to working with MOSERS staff and my fellow board members as we continue to seek the best for the state and taxpayers we represent.

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink, consisting of stylized, overlapping loops and lines that form the letters "CZ".

Clint Zweifel

CC: Gary Findlay