



# TaxNewsFlash

## United States

No. 2016-421  
September 20, 2016

### California: Disclosures of fees paid to alternative investment vehicles

California's governor signed Assembly Bill 2833, enacting provisions that are intended to increase the transparency of fees paid by public investment funds to alternative investment vehicles. Under the new law:

- A "public investment fund" is any fund of any public pension or retirement system—including that of the University of California.
- An "alternative investment" is an investment in a private equity fund, venture fund, hedge fund, or absolute return fund.
- An "alternative investment vehicle" is the legal structure (LP, LLC, etc.) through which a public investment fund invests in the alternative investment.

The new disclosure requirements are effective for all new contracts a public investment fund enters into on or after January 1, 2017, and to all existing contracts in which the fund makes a new capital commitment on or after January 1, 2017.

#### Fees to disclose

Public investment funds are to require that each alternative investment vehicle in which it invests make the following disclosures at least annually:

- All fees and expenses the public investment fund pays directly to the alternative investment vehicle, the fund manager, or "related parties." The legislation includes a definition of "related party."
- The public investment fund's pro rata share of fees and expenses (not included above) paid from the alternative investment fund to the fund manager or to related parties.

- The public investment fund's pro rata share of the carried interest distributed to the fund manager or related parties.
- The public investment fund's pro rata share of aggregate fees and expenses paid by all of the portfolio companies held within the alternative investment vehicle to the fund manager or related parties.
- Any additional information described in Cal. Gov. Code § 6254.26(b), which essentially captures information on alternative investments already required to be disclosed under the California Public Records Act.

A public investment fund is required to disclose the information provided to it by the alternative investment vehicle at least once annually in a report presented at a meeting open to the public. The report must include the gross and net rate of return of each alternative investment vehicle, since its inception, in which the public investment fund participates. The public investment fund may report the gross and net rate of return and information based on its own calculations or based on calculations provided by the alternative investment vehicle.

Read a [September 2016 report](#) [PDF 162 KB] prepared by KPMG LLP.

For more information, contact a tax professional with KPMG's State and Local Tax practice

Scot Grierson | +1 (949) 885-5643  
 Abner Chong | +1 (213) 593-6618  
 Amanda Sterling | +1 (213) 593-6345  
 Gina Rodriguez | +1 (916) 551-3132

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)