

# CalPERS to Cut Back on the Number of Private Equity Managers - Sign of a Wider Trend?

With the California Public Employees' Retirement System (CalPERS) confirming plans to reduce the number of private equity managers it partners with, Preqin looks at the wider trends of US-based public pension funds' exposure, activity and concerns in the private equity asset class.

Just a few months after the announcement that CalPERS was to drop hedge funds from its alternatives investment portfolio, it has been reported that the US pension fund is looking to further reduce the number of private equity GP relationships it holds, by up to two-thirds. This is a continuation of CalPERS' ongoing efforts to reduce overall costs, reigniting the long-running industry debate over management and performances fees payable by LPs. Preqin's biannual surveys of investors around the world have consistently confirmed that fees have been perceived by LPs as a key issue affecting the private equity industry.

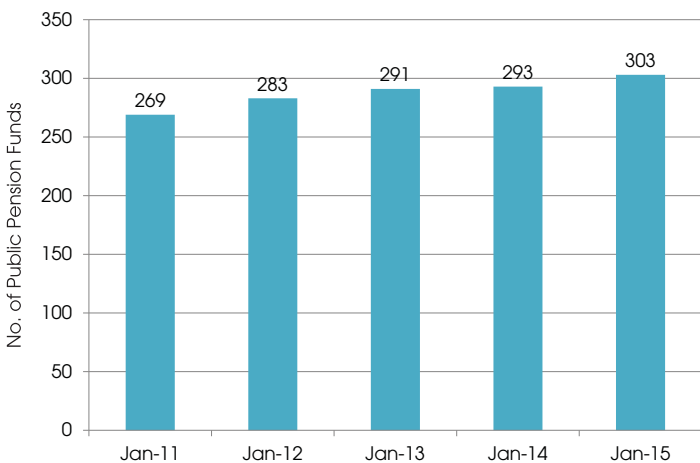
It is important to note that CalPERS, the largest public pension fund in the world and the most prominent institutional investor in private equity in absolute dollar terms, still has a target allocation of 10% to the asset class. Though a recent decline in average current allocations of US public pension funds has been evident, this trend is reflective of recent high distribution levels helping to lift assets under management and therefore reducing LP exposure.

Preqin's data confirms that appetite for private equity investments from US-based public pension funds remains substantial, with more of these LPs active in the asset class as of January 2015 than ever before. The decision by CalPERS may not immediately result in a drop in overall commitments to private equity funds, but serves as an effective statement to fund managers on the importance of justifying fund terms, as well as the power of the limited partner.

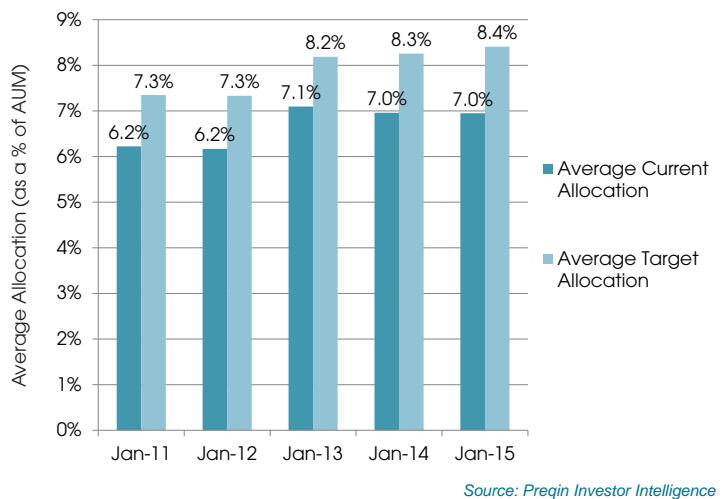
Preqin's latest investor survey results and further commentary and analysis on investor activity in private equity is available in Preqin's **2015 Global Private Equity & Venture Capital Report**.

For more information and to view the sample pages, please visit [www.preqin.com/reports](http://www.preqin.com/reports).

**Fig. 1:** Total Number of US-Based Public Pension Funds Active in Private Equity, 2011- 2015



**Fig. 2:** Average Allocation to Private Equity of US-Based Public Pension Funds, 2011 - 2015



Number of US-based public pension funds investing in private equity



Total assets under management of US-based public pension funds that invest in private equity



Average number of private equity partnerships held by US-based public pension funds



Average current allocation to private equity of US-based public pension funds.

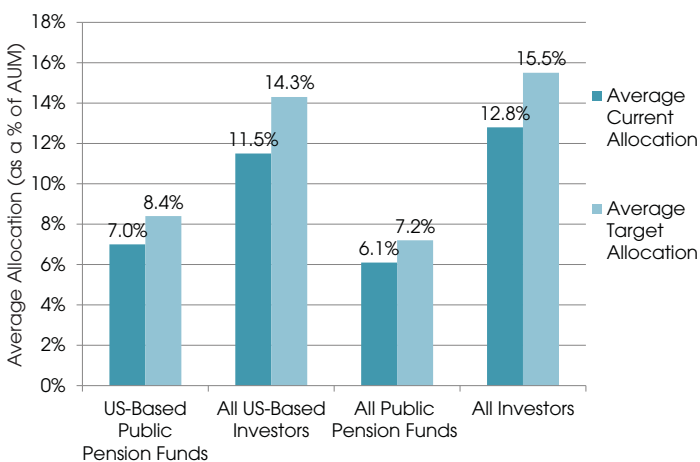
**Fig. 3: Top 10 US-Based Public Pension Funds by Current Allocation to Private Equity (\$bn)**

Investor	State	Assets under Management (\$bn)	Allocation to Private Equity (% of AUM)	Current Allocation to Private Equity (\$bn)	No. of Active* Funds	No. of Active* Partnerships
California Public Employees' Retirement System (CalPERS)	CA	298.0	10.4	31.1	444	298
California State Teachers' Retirement System (CalSTRS)	CA	187.1	11.3	21.1	207	101
Washington State Investment Board	WA	78.0	23.0	18.0	138	59
Teacher Retirement System of Texas	TX	132.0	11.7	15.4	123	67
Oregon State Treasury	OR	80.0	18.6	14.9	204	108
New York State Common Retirement Fund	NY	176.0	8.0	14.1	189	117
Michigan Department of Treasury	MI	58.0	18.8	10.9	161	80
Pennsylvania Public School Employees' Retirement System	PA	51.0	20.5	10.5	149	80
Florida State Board of Administration	FL	180.2	5.4	9.7	169	80
New Jersey State Investment Council	NJ	81.2	6.9	5.6	109	59

\*Includes funds with a vintage of 2005 or later. Fund interests sold on the secondary market excluded.

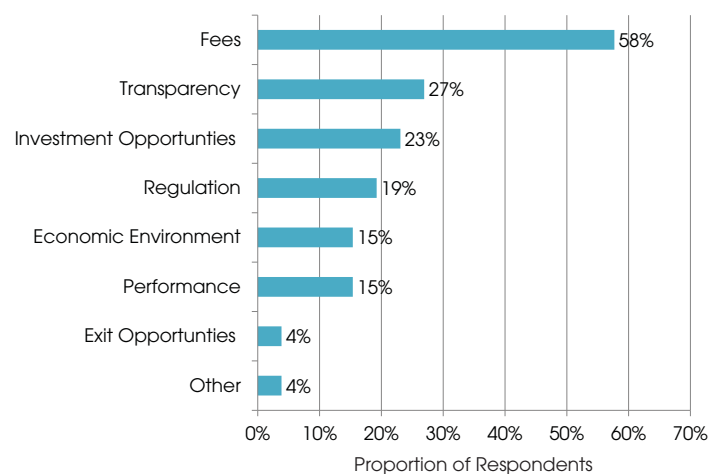
Source: Preqin Investor Intelligence

**Fig. 4: Average Allocations to Private Equity**



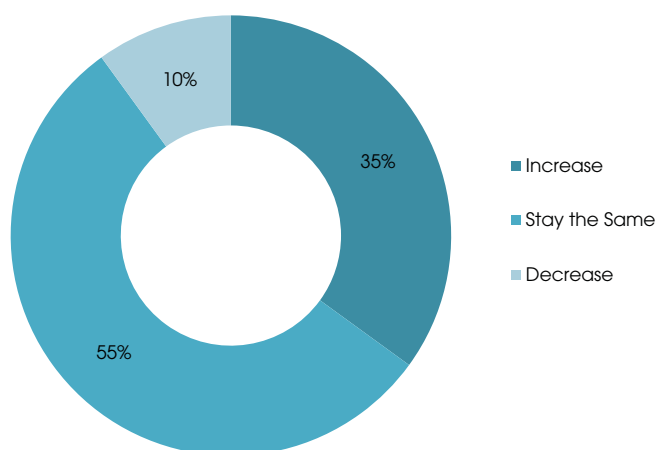
Source: Preqin Investor Intelligence

**Fig. 5: Biggest Challenges Facing Public Pension Funds Seeking to Operate an Effective Private Equity Program in 2015**



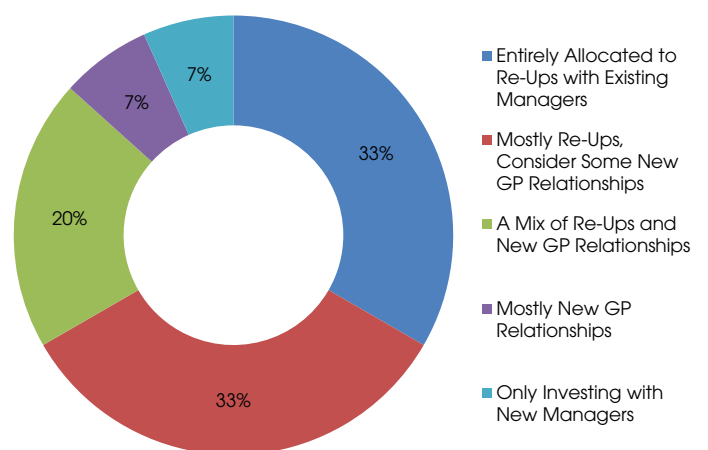
Source: Preqin Investor Interviews, December 2014

**Fig. 6: Public Pension Funds' Intentions for the Number of GP Relationships over the Next Two Years**



Source: Preqin Investor Interviews, December 2014

**Fig. 7: Expectations for Public Pension Funds' Private Equity Allocations in the Coming Year**



Source: Preqin Investor Interviews, December 2014