Private equity delivers the strongest returns for retirees across America

2022 Public Pension Study

AMERICAN INVESTMENT COUNCIL



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"Ohio SERS is pleased to be ranked among the top ten in Private Equity returns for the ten years ending June 30, 2021 with a return of 17.6%. Our Private Equity portfolio has consistently generated the highest return in the SERS portfolio over rolling 10 year periods for many years and has contributed to the long term sustainability of the pension plan. The strategy pursued by staff in target markets has been successful and has also resulted in lower fees."

FAROUKI MAJEED,
CHIEF INVESTMENT OFFICER,
OHIO SCHOOL EMPLOYEES RETIREMENT SYSTEM



America's dedicated public servants are the lifeblood of our communities. Supporting public pension funds is one of the most significant ways we can show our gratitude.

Every day, millions of public workers make crucial contributions to keep our communities running—from delivering our mail, to educating our children, to making our streets and our homes safer. Our nation's public servants display extraordinary resilience and dedication, and it is important for all of us to recognize these individuals and the work they do to make our lives better and our country stronger.

Public pensions represent a promise to take care of the people who take care of us. In order to offer retirement security for our essential public sector workers, these funds must consistently generate strong investment returns.

Almost all of them turn to private equity for help.

Since 2012, the American Investment Council has examined the investments and returns of America's largest public pension funds. **Private equity investments delivered a median annualized return of 15 percent over the previous 10 years—a greater return than any other asset class.**

A MESSAGE FROM AIC PRESIDENT & CEO DREW MALONEY

July 2022

Pension funds partner with private equity not only for superior returns but also to diversify their portfolio. With private markets' increasing role in capital formation, it is important that pension funds have access to those investments and private equity is one of those avenues. That is why 30 million Americans trust private equity to deliver strong and secure retirements.

For the third year in a row, the Illinois State Board of Investment had the best performing private equity portfolio, earning a 19.8 percent annualized return for public servants in Illinois, net of fees. The West Virginia Investment Management Board, Massachusetts Pension Reserves Investment Trust, Public School & Education Employee Retirement System of Missouri, and the Iowa Public Employees' Retirement System earned spots two through five, respectively, all delivering returns above 18 percent, net of fees.

The positive impact of private equity can be felt in every state and community across America. Private equity firms are providing critical capital and expertise to grow businesses and support jobs, all while generating impressive returns to help public sector workers enjoy their hard-earned retirements.

Drew Maloney

Drew Maloney
President & CEO,
American Investment Council

Executive summary

For the past seven years, the American Investment Council has produced an annual public pension study examining the investment and returns of America's largest public pension funds.

Each year, our study has found that private equity is the best returning asset class in a public pension portfolio, outperforming all other asset classes.

15.1%

In 2021, private equity continued to a provide strong return on investment, with a median annualized return of 15.1 percent over a 10-year period.

89%

Our study found that 89 percent of the public pensions in our sample had some exposure to private equity.

11%

On a dollar weighted basis private equity makes up 11 percent of public pension portfolios.

19.8%

The pension with the best performing private equity portfolio is Illinois State Board of Investment which had a 10-year annualized return of 19.8 percent as of June 30, 2021.

Over 34 million

The study analyzed 176 U.S. public pension funds which represent nearly 34 million public sector workers and retirees.

Private equity: A critical ingredient to investment success

Top 10 public pension funds by private equity returns

ANNUALIZED 10-YEAR PRIVATE EQUITY RETURNS

		Members	Return
1.	Illinois State Board of Investment	167,251	19.80%
2.	West Virginia Investment Management Board	N/A	19.66%
3.	Massachusetts Pension Reserves Investment Trust	N/A	18.89%
4.	Public School & Education Employee Retirement System of Missouri	289,067	18.40%
5.	Iowa Public Employees' Retirement System	381,922	18.25%
6.	Nashville & Davidson County Metropolitan Government Employee Benefit Trust Fund	26,519	18.10%
7.	Ohio School Employees Retirement System	233,339	17.60%
8.	San Fransisco Employees' Retirement System	75,624	17.47%
9.	Baltimore Fire & Police Retirement System	10,199	17.40%
10.	Delaware Public Employees Retirement System	83,290	17.00%

Top 10 public pension funds invested in private equity

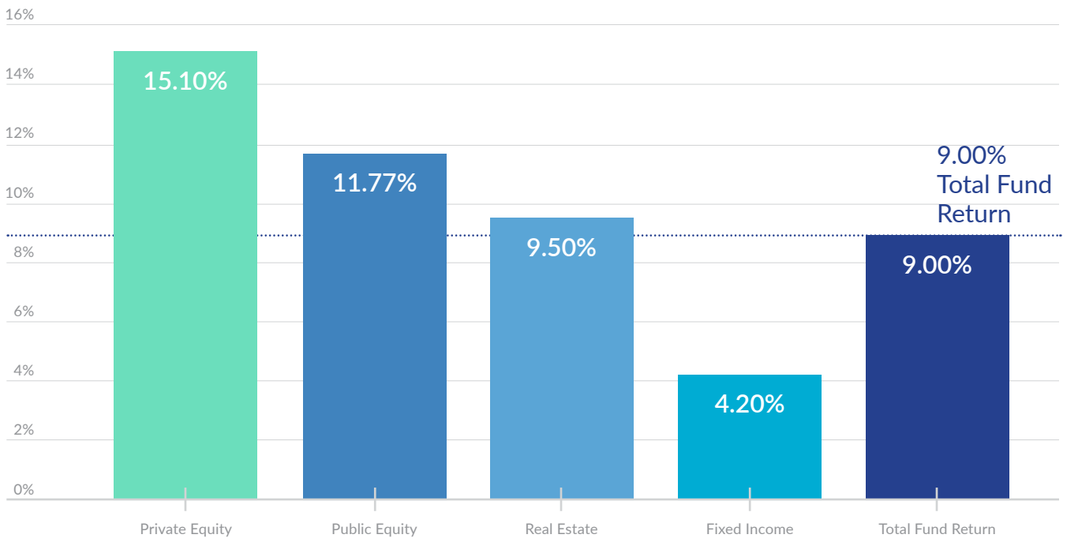
ANNUALIZED 10-YEAR PRIVATE EQUITY RETURNS

		Members	Private Equity Investment ($Bil.)
1.	California Public Employees Retirement System	2,081,473	$44,830.73
2.	California State Teachers Retirement System	981,000	$36,991.26
3.	Washington State Board of Investment	609,482	$36,441.31
4.	Teacher Retirement System of Texas	1,877,919	$34,764.38
5.	New York State Common Retirement Fund	1,172,147	$29,470.17
6.	Oregon Public Employees Retirement System	228,482	$25,725.64
7.	State of Michigan Retirement System	553,000	$20,826.00
8.	New York City Public Pension Funds	569,872	$18,482.00
9.	The Florida Retirement System	2,600,000	$17,339.86
10.	Virginia Retirement System	754,033	$15,798.81

Private equity delivers robust returns for public pension beneficiaries

Private equity investments outperform other asset classes

BASED ON 10-YEAR MEDIAN ANNUALIZED RETURNS

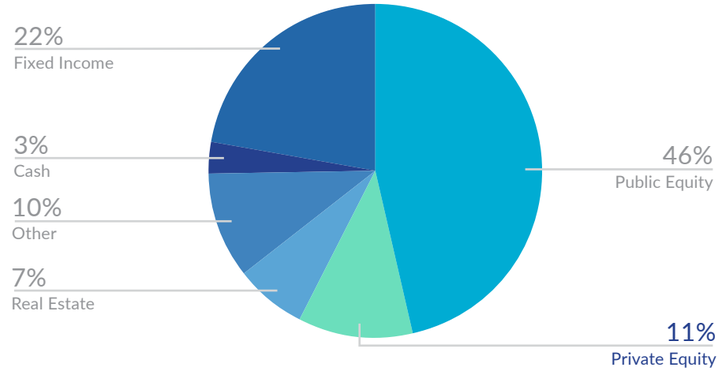


A median annualized return of 15.1%

Pension fund asset allocation

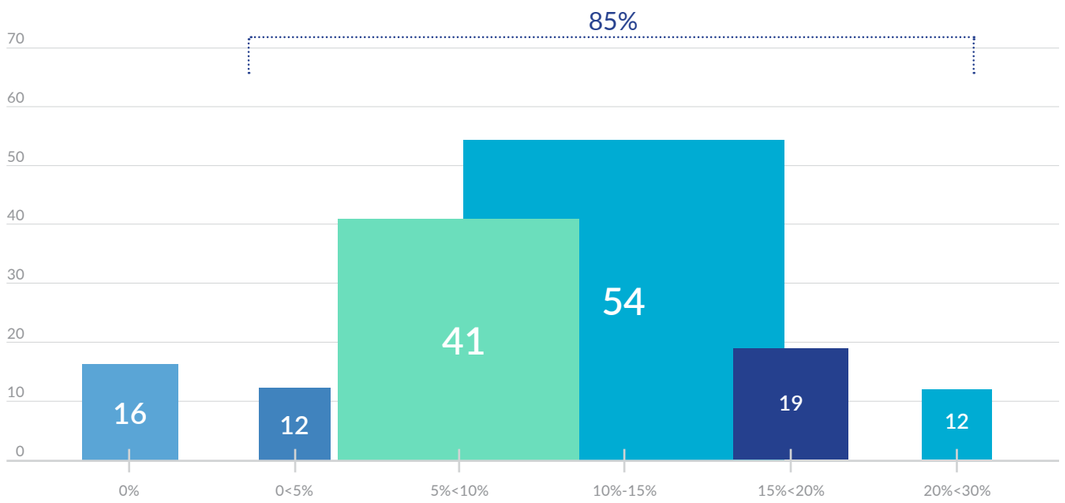
11% of the assets in pension funds are invested in private equity

U.S. Public pension funds invest 11% of their portfolios in private equity, on a dollar-weighted basis



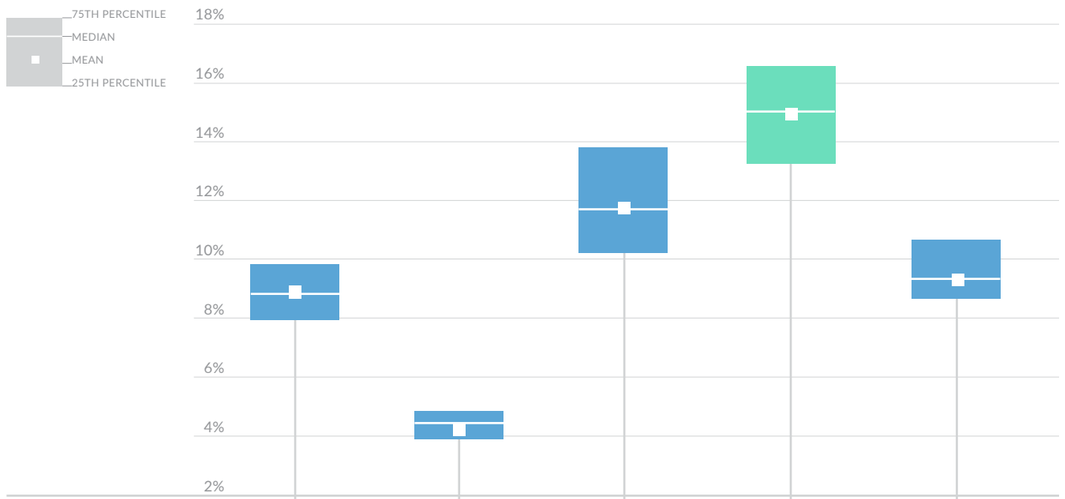
89% of public pension funds in the study have some exposure to private equity

NUMBER OF PENSIONS BY PRIVATE EQUITY ALLOCATION



Private equity compared to other asset classes

Top 25th percentile private equity return exceeds the median public equity return

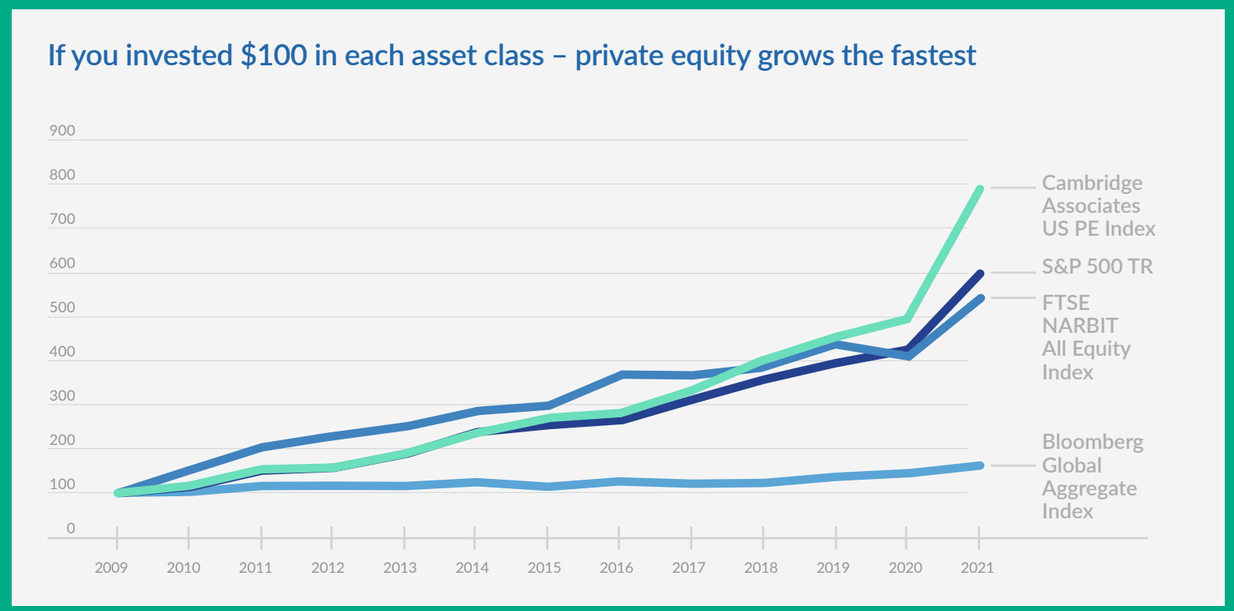


Sample Size	Total Fund	Fixed Income	Public Equity	Private Equity	Real Estate
No. of Pensions	76	55	59	53	45
Investment (Mil.)	$3,507,065.64	$651,440.60	$1,424,135.39	$389,624.45	$207,366.99

Private equity returns in the 25th percentile exceed the median public equity return

Private equity partnerships at work

Private equity directly employs over 11 million workers and invested over $1 trillion in the U.S economy in 2021. Over 74% of private equity went to small businesses.



"ISBI is proud to be recognized by the AIC for its top-tier performance in private equity. Our consistently strong performance is a result of the hard work of ISBI Staff, strategic partners, and our innovative investment model which seeks to thoughtfully control fees while achieving strong performance on behalf of our 167,000+ beneficiaries. We will strive to replicate this success in the future and continue to push for wider change on diversity and inclusion in the industry."

JOHARA FARHADIEH
CHIEF INVESTMENT OFFICER,
ILLINOIS STATE BOARD OF INVESTMENT



"A long-term commitment and investment in the private equity asset class has enhanced our ability to deliver on our mission of providing retirement security to Missouri's educators and education employees after a full career of service. Private equity, within the Missouri PSRS/PEERS investment portfolio, has produced net-of-fees returns significantly greater than the returns achievable in publicly traded stocks over all time periods."

CRAIG HUSTING,
CHIEF INVESTMENT OFFICER,
PUBLIC SCHOOL & EDUCATION EMPLOYEE RETIREMENT SYSTEMS OF MISSOURI

"I'm proud that the American Investment Council has determined that MassPRIM is the #3 pension fund this year, including a finding that our private equity portfolio yielded an almost 4% better return than the median for private equity over a ten-year period," said Michael G. Trotsky, CFA, Executive Director and Chief Investment Officer of MassPRIM. This recognition—top five for a 7th consecutive year—reflects the innovation, diligence, and strong relationships of our outstanding private equity team."

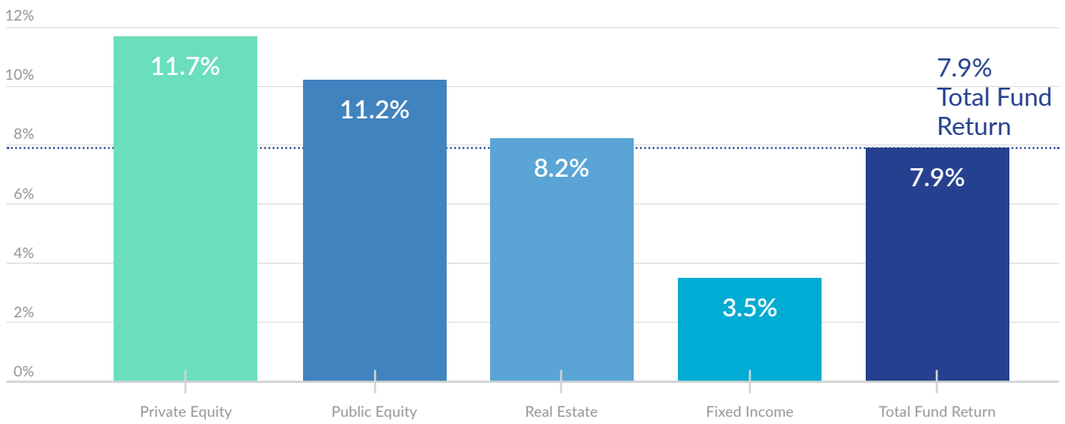
MICHAEL G. TROTSKY,
CHIEF INVESTMENT OFFICER,
MASSACHUSETTS PENSION RESERVES INVESTMENT MANAGEMENT BOARD



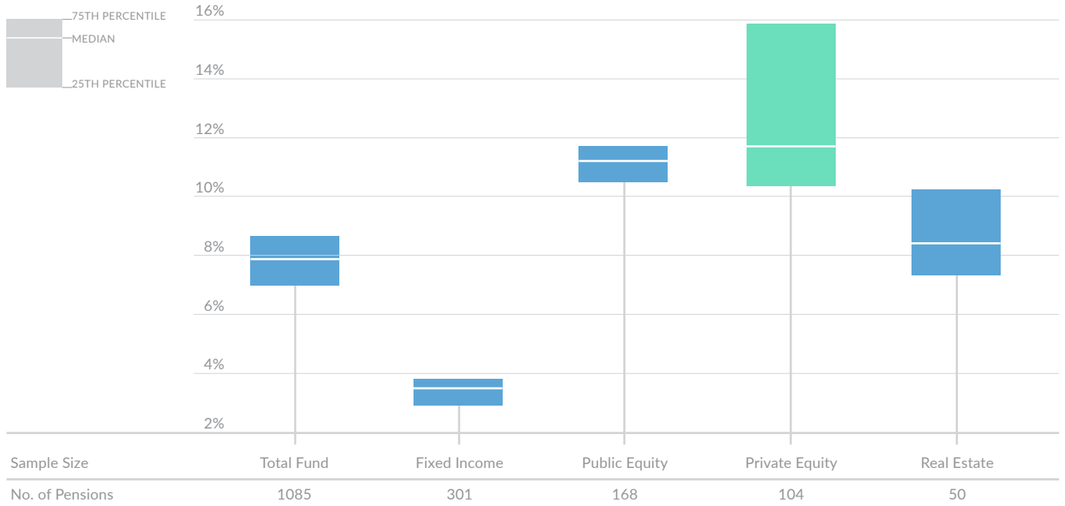
Data on endowments and foundations

Private equity returns of endowments and foundations exceeds the returns of other asset classes

BASED ON MEDIAN 10-YEAR ANNUALIZED RETURNS



Public equity 75th percentile return barely beats the private equity median



Sample Size	Total Fund	Fixed Income	Public Equity	Private Equity	Real Estate
No. of Pensions	1085	301	168	104	50

NOTES ON THE STUDY This study conducted by the American Investment Council examines the private equity investments of 176 U.S. public pension funds. The information was collected from publicly available comprehensive annual financial reports and direct communication with public pension funds, when necessary.

The reporting date for data used in this study ranges from December 2020 to December 2021, with most dates as of June 30, 2021. When data as of June 30, 2020 were unavailable, information from the most recent available financial report at the time of analysis was used. All returns are net of fees and carry.

The analysis of pension fund investment returns is based on available 10-year return data as of June 30, 2021, except where noted. Pension funds typically report returns for private equity and other illiquid assets net of management fees and carry, while marketable securities can be reported net or gross of fees. Not all pension funds report 10-year returns or returns for each asset class. Asset classes may be defined slightly differently, depending on the pension fund. The breakdown of invested capital by pension funds is determined by summing the total dollars invested in each asset class for all 176 public pension funds and calculating the percentage by asset class.

AMERICAN INVESTMENT COUNCIL

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About the private equity industry and the American Investment Council

Private equity backed companies employ approximately 11.7 million U.S. workers. Since 2015, private equity firms have invested over $3.8 trillion dollars in more than 30,000 American companies. In 2020, over 86% of current private equity investments were in small businesses.

The American Investment Council (AIC) is the leading advocacy and resource organization established to develop and provide information about the private investment industry and its contributions to the long-term growth of the U.S. economy and the retirement security of American workers. Member firms of the AIC consist of the country's leading private equity, private credit, and growth capital firms united by their successful partnerships with limited partners and American businesses.

More information about the AIC can be found at **www.investmentcouncil.org.**