

CalPERS Private Equity Team Helps Strengthen the Fund

By Henry Jones

June 2017

Nothing is more important to portfolio earnings than having the right mix of investments – and few investments are as essential to CalPERS’ success as private equity.

It’s our highest returning asset class, and its contributions to our system are eye-opening. Since its inception in 1990, the CalPERS private equity program has contributed over \$25 billion in profits to our fund. Without question, a large, strong private equity program will be a significant part of our portfolio for years to come.

In recent months, CalPERS has been criticized over how we disclose and account for the fees we pay as an investor in private equity.

Anyone who follows CalPERS or has any knowledge about the industry knows that we are a leader in private equity fee disclosure. We have stood alongside the Institutional Limited Partners Association (ILPA) and other limited partners to advocate for greater fee transparency and standardized reporting. We’ve put ourselves on the front lines, willing to take the heat that comes with being a leader.

Yet the critics are doing more damage than good. Their rhetoric, often laced with personal attacks on CalPERS investment professionals, stands to impede the progress that CalPERS and many other limited partners have made to increase transparency and alignment of interests between limited partners and general partners. This in turn hurts California’s public employers and employees who are counting on us to invest on their behalf and deliver a secure retirement.

Why is this important? Because investors in private equity need transparency to make informed decisions and to clearly understand the costs behind each decision. And public employers and public service workers need to feel confident about private equity’s contribution to the pensions that can help them achieve financial security in retirement.

CalPERS has been invested in private equity for over 25 years. Along with ILPA and others, our investment team has been working hard to improve transparency and open up the industry to greater understanding. Our private equity team deserves our respect, support, and encouragement.

*Henry Jones is Chair of the CalPERS Investment Committee
and Vice President of the Board.*

