



Private equity  
delivers the  
strongest returns  
for retirees  
across America

2024 Public Pension Study



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## A MESSAGE FROM AIC PRESIDENT & CEO DREW MALONEY

July 2024

### Private equity returns ensure that tens of millions of dedicated public servants can depend on a pension to support their well-deserved retirement.

Communities across America owe a debt of gratitude to our dedicated public servants. We depend on first responders to be there in an emergency when minutes can be the difference between life and death. We place immense faith and responsibility in public school teachers to educate the next generation of children.

Pensions are a promise to these selfless Americans, who enter a life of public service not because of the financial rewards but because they want to give back to their communities. In exchange, they can and should depend on a safe and secure retirement.

The American Investment Council is pleased to release the latest edition of our Public Pension Study, examining the investments and returns of America's largest public pension funds. The results speak for themselves. Private equity remains a critical component of almost every public pension plan in the U.S., consistently delivering outsized returns and providing options for diversification during times of economic turmoil.

Once again, private equity delivered the highest returns of any major asset class. Nearly 90 percent of public pension funds invested part of their portfolio in private equity. These funds represent more than 34 million American public sector workers and retirees.

Our findings back up independent studies showing the value of private equity to public pension funds. A study published by Cambridge Associates found that over the last decade, "institutions with higher private investment allocations experienced higher returns historically. And, those returns tended to be less volatile."

The Vermont Pension Investment Commission led our rankings, earning a 10 year annualized return of 20.48



percent on its private equity investments. The Illinois State Board of Investment and the New York City Board of Education Retirement System rounded out the top three, with 10 year annualized returns on private equity delivering returns above 18 percent for the beneficiaries of both systems.

Private equity investments not only benefit millions of public sector servants, but our industry supports workers with well-paying jobs thousands of companies nationwide. Since 2020 private equity has invested in over 30,000 companies in the US alone. More than 12 million Americans are employed by private equity-backed companies. These workers make more than \$80,000 in annual wages and benefits, which exceeds the national average.

Our industry will continue to be an engine for economic growth, well-paying jobs, and retirement security in the years and decades to come.

**Drew Maloney**  
President & CEO,  
American Investment Council



# Executive summary

The American Investment Council produces 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.

**15.3%**

In 2023, private equity continued to provide a strong return on investment, with a median annualized return of 15.3 percent over a 10-year period.

**88%**

Our study found that 88 percent of the public pensions in our sample had some exposure to private equity.

**14%**

On a dollar weighted basis private equity makes up 14 percent of public pension portfolios.

**20.48%**

The pension with the best performing private equity portfolio is Vermont State Employees’ Retirement System which had a 10-year annualized return of 20.48 percent as of June 30, 2023.

**Over 34 million**

The study analyzed 200 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. Vermont Pension Investment Commission	N/A	<b>20.48%</b>
2. The Illinois State Board of Investment	175,794	<b>18.83%</b>
3. New York City Board of Education Retirement System	61,480	<b>18.81%</b>
4. Massachusetts Pension Reserve Investment Management	300,000	<b>18.61%</b>
5. West Virginia Investment Management Board	N/A	<b>18.60%</b>
6. School Employees Retirement System of Ohio	248,119	<b>18.37%</b>
7. City of Baltimore Employee’s Retirement System	17,911	<b>17.60%</b>
8. Iowa Public Employees Retirement System	404,124	<b>17.47%</b>
9. Public Employees’ Retirement Association of New Mexico	128,106	<b>17.35%</b>
10. Public Employees’ Retirement System of Mississippi	145,985	<b>17.32%</b>

## 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	2,238,011	<b>\$60.15</b>
2. California State Teachers Retirement System	1,022,000	<b>\$48.95</b>
3. Washington State Investment Board	650,111	<b>\$44.90</b>
4. New York State Common Retirement Fund	1,210,133	<b>\$36.98</b>
5. Teacher Retirement System of Texas	2,001,974	<b>\$33.00</b>
6. Oregon Public Employees Retirement System	405,373	<b>\$26.19</b>
7. New York City Public Pension Funds	567,028	<b>\$24.44</b>
8. Virginia Retirement System	803,024	<b>\$19.10</b>
9. Florida Retirement System	1,100,000	<b>\$17.49</b>
10. Massachusetts Pension Reserve Investment Management	300,000	<b>\$16.76</b>



# Private equity partnerships at work

88% of pensions across America chose to invest in private equity. Here's what Chief Investment Officers are saying:



"I am extremely proud of our results and my team, whose tireless efforts produced our strong track record. Our successful private market investment program would not have been possible without their leadership and diligence. The endless support of our commissioners, who have challenged us to build out our program and bring them compelling investment opportunities, has put the VPIC portfolio in a very strong position."

**ERIC HENRY**  
CHIEF INVESTMENT OFFICER,  
VERMONT PENSION INVESTMENT  
COMMISSION



"We plan to continue to invest in the Private Equity asset class, and have actually increased our allocation percentage for existing participant plans. In addition, more participant plans that we oversee have opted in over the last few years."

**JIM HERRINGTON**  
PRIVATE EQUITY INVESTMENT  
OFFICER,  
WEST VIRGINIA INVESTMENT  
MANAGEMENT BOARD



"New Mexico PERA is proud to be recognized by the AIC for achieving the #9 ranked private equity returns over the 10-year period ending June 30, 2023. This accomplishment is a testament to the dedication and expertise of NMPERA staff and selection consultants, whose consistent strategy and hard work have driven our strong performance. These efforts help ensure we fulfill our mission to provide stable retirement benefits to current and future public employees of New Mexico."

**LEANNE LARRAÑAGA-RUFFY**  
DEPUTY CHIEF INVESTMENT OFFICER,  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION



"Achieving success in our private equity portfolio, which ranks among the best in the nation, is proof positive of our investment staff's ability to identify and evaluate top performing managers. Over the last 10 years, SERS' private equity portfolio has realized a net gain of nearly \$2.5 billion, which has significantly contributed to the retirement security of our active and retired members. Maintaining a sustainable pension fund is a priority that largely hinges on the success of our investment portfolio and the excess returns generated by our private equity portfolio are a significant part of that success."

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



"ISBI is proud to be recognized once again as a national leader in private equity performance. Our consistent, strong performance is thanks to our innovative investment model, thoughtfully controlled fees, and our dedicated team and excellent partners, who work diligently to achieve these top-tier results on behalf of over 174,000 beneficiaries. ISBI will continue to strive for investment excellence on behalf of all those we serve."

**DIPESH MEHTA**  
EXECUTIVE DIRECTOR & CHIEF  
INVESTMENT OFFICER,  
ILLINOIS STATE BOARD OF  
INVESTMENT



"We are pleased that AIC's research has determined that MassPRIM's private equity portfolio is one of the highest performing in the country over a long period of time. The PRIM team has a relentless focus on securing high-quality investments, and the rank of 4 out of 200 reflects the team's deep industry knowledge along with its rigorous selection and monitoring processes. These traits have driven the industry-leading, long-term returns that are essential to secure retirement benefits for more than 300,000 current and future retirees in our state."

**MICHAEL G. TROTSKY**  
CFA, EXECUTIVE DIRECTOR AND  
CHIEF INVESTMENT OFFICER,  
MASSPRIM

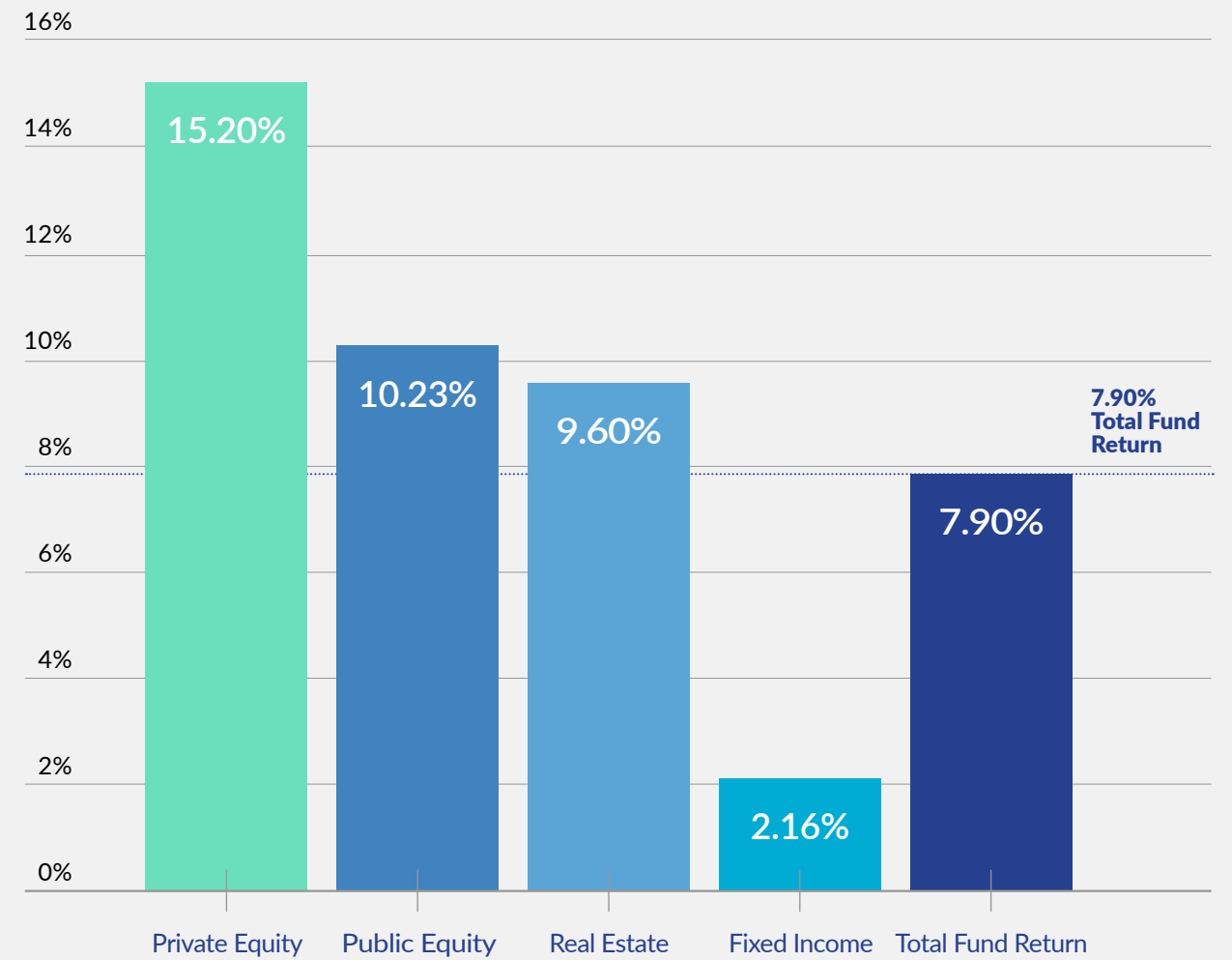
# Private equity delivers robust returns for public pension beneficiaries



A median annualized return of **15.2%**

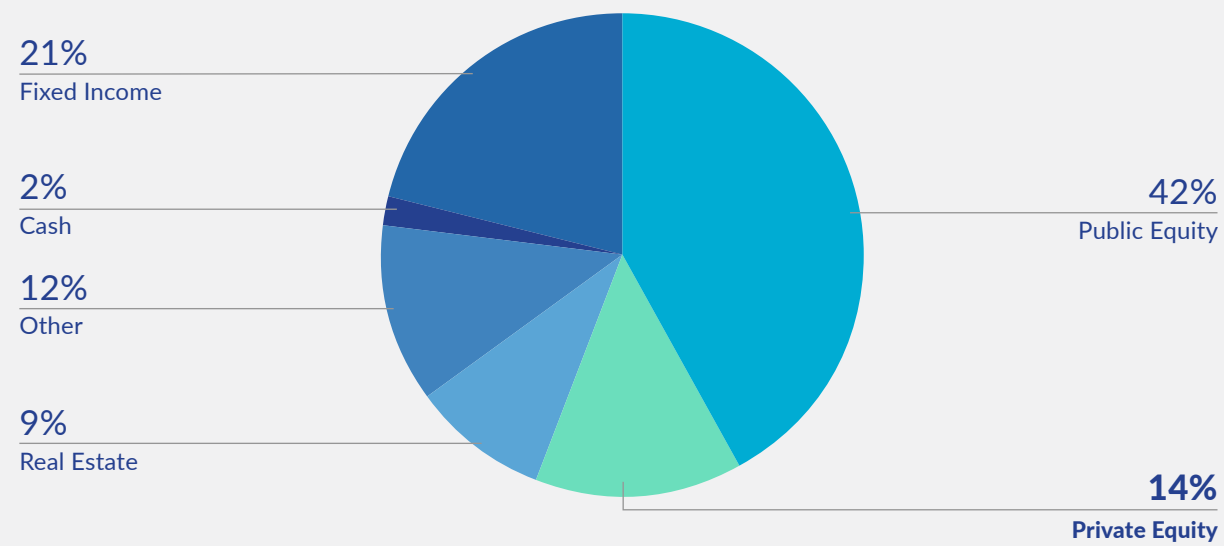
## Private equity investments outperform other asset classes

BASED ON 10-YEAR MEDIAN ANNUALIZED RETURNS



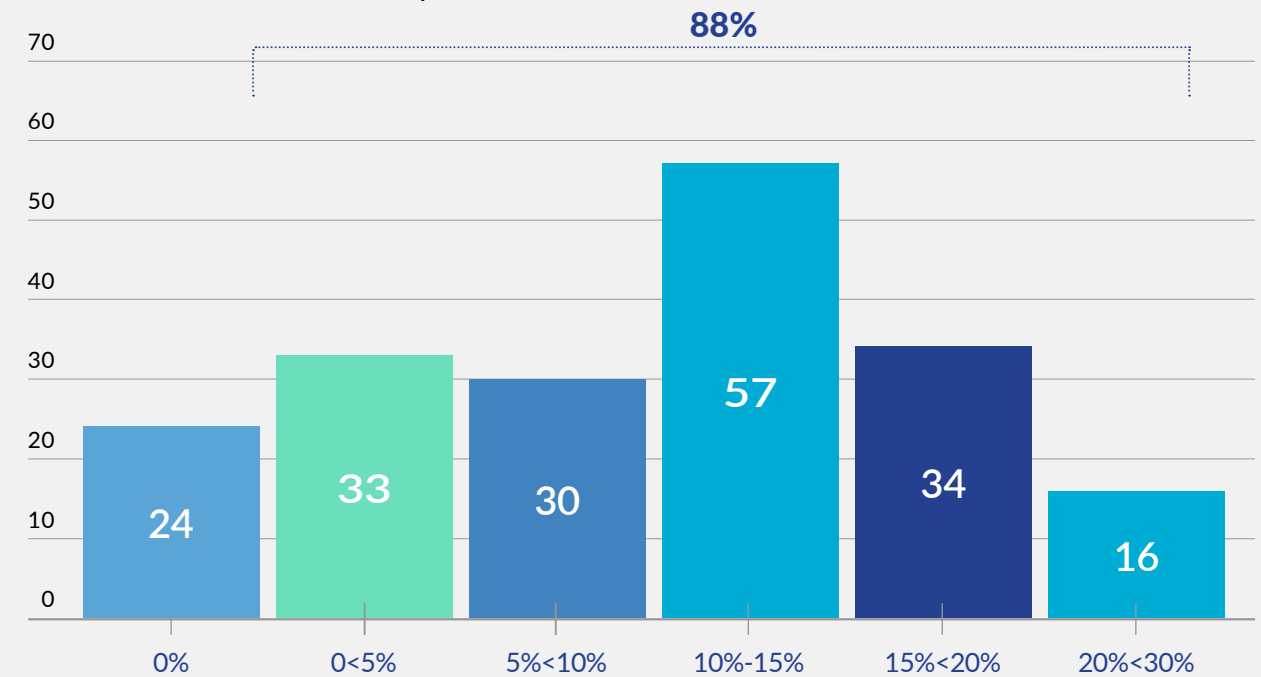
# Pension fund asset allocation

U.S. Public pension funds invest 14% of their portfolios in private equity, on a dollar-weighted basis



88% of public pension funds in the study have some exposure to private equity

NUMBER OF PENSIONS BY PRIVATE EQUITY ALLOCATION

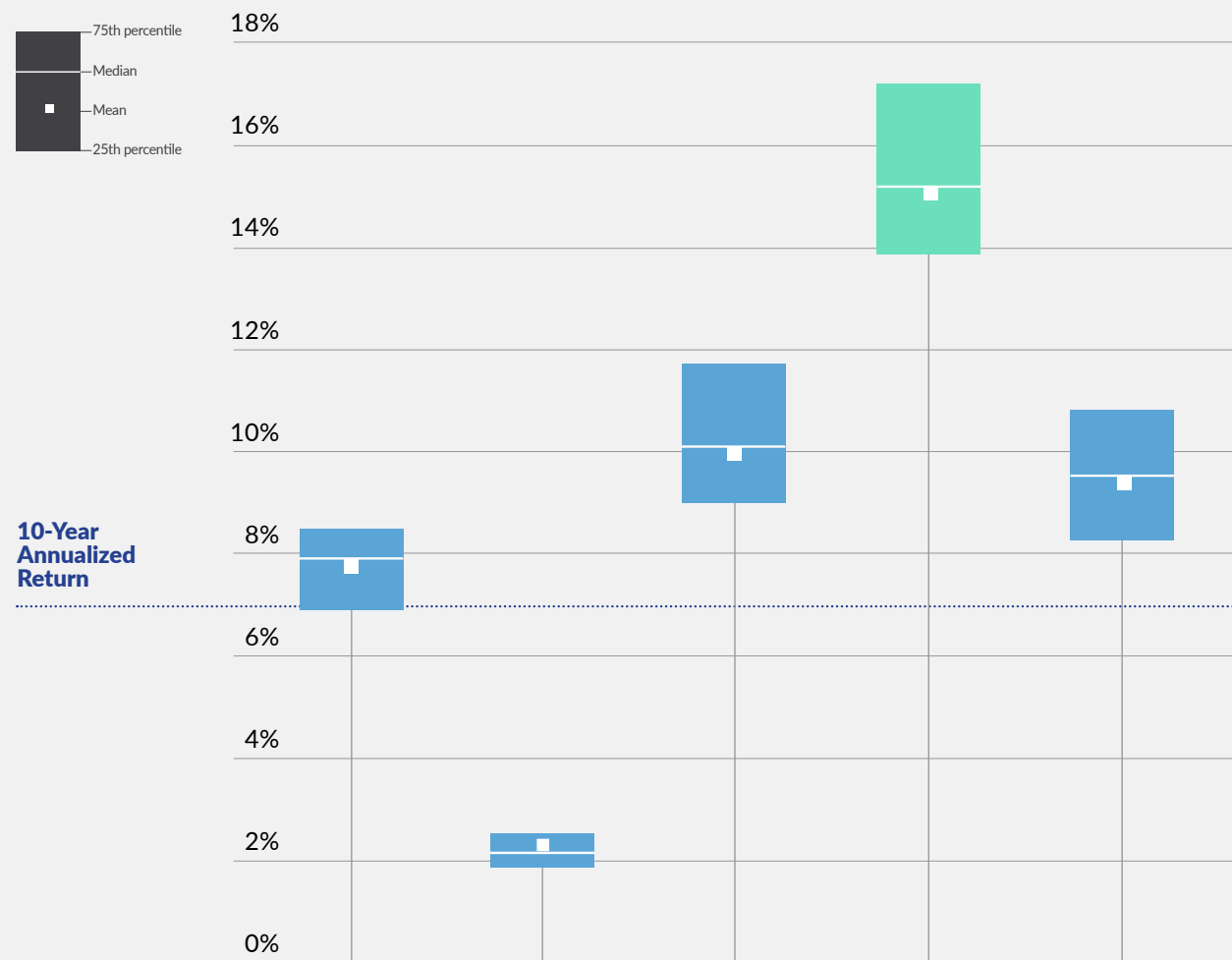


**14%**  
of the assets in pension funds  
are invested in private equity



# Private equity compared to other asset classes

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



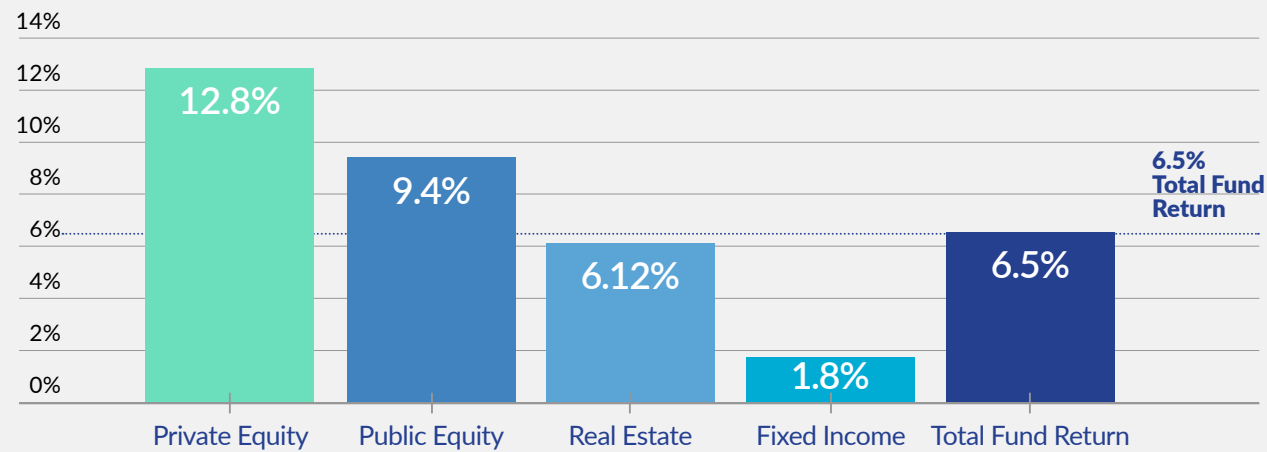
Sample Size	Total Fund	Fixed Income	Public Equity	Private Equity	Real Estate
No. of Pensions	70	60	58	54	45
Investment (Bil.)	\$3,107.94	\$580.59	\$1,240.58	\$415.56	\$248.43



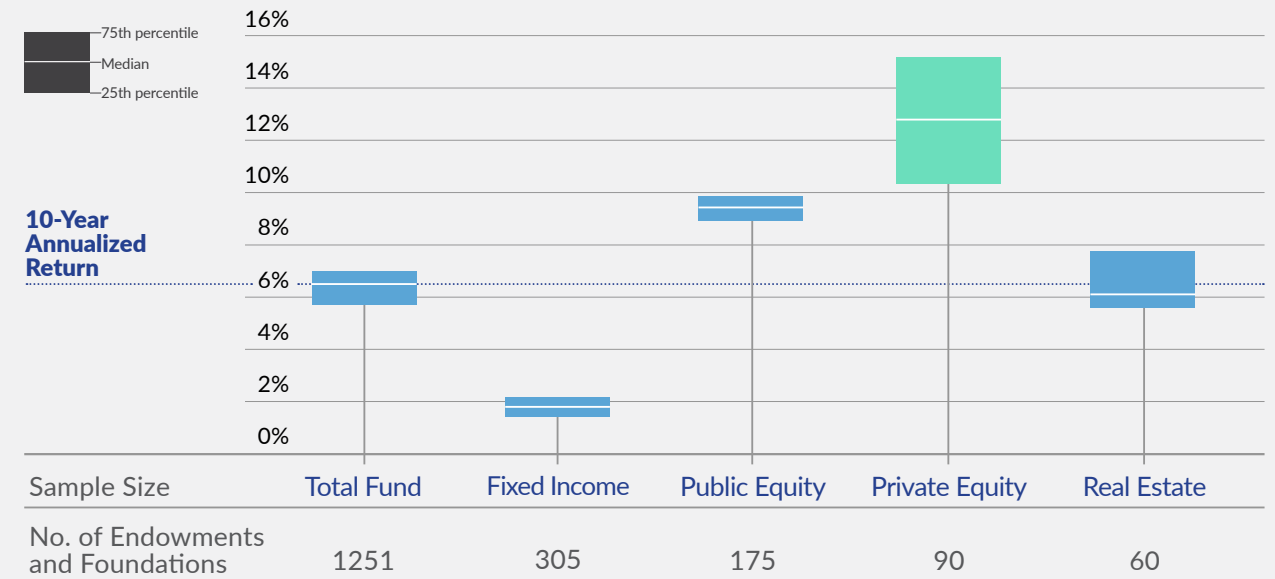
# Data on endowments and foundations

## 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



**NOTES ON THE STUDY** This study conducted by the American Investment Council examines the private equity investments of 200 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 2021 to December 2023, with most dates as of June 30, 2023. When data as of June 30, 2023 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, 2023, 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 200 public pension funds and calculating the percentage by asset class. Data on foundations and investments sourced from investment metrics.





## About the private equity industry and the American Investment Council

Private equity-backed companies employ approximately 12 million U.S. workers. In 2022, over 85% 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](http://www.investmentcouncil.org).

**AMERICAN  
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