

Callan

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INSTITUTE



Survey

## 2017 Private Equity Survey

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Factors Impacting Institutional Private Equity Implementation

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## Executive Summary

The Callan *Private Equity Survey* is constructed especially for institutional private equity investors.

This survey focuses on topics relevant to the limited partner community, including:

- Private equity deployment models
- Patterns of investment and commitment activities over time
- Governance and oversight of private equity programs
- Private equity staffing and resources
- Responsibilities for private equity program administration functions

We wish to thank the survey participants who provided the data essential for the Callan *Private Equity Survey*.

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## Key Findings

Institutional private equity programs are impacted by an array of governance, oversight, staffing, and other administration issues that affect how private equity portfolios are constructed, monitored, and managed.

We found these factors often led to sub-optimal implementation type selection (e.g., internal staff, non-discretionary consultant, etc.), including sub-optimal use of the discretionary consultant/fund-of-funds implementation model for certain private equity programs.

Nonetheless, investors' private equity programs were invested similarly, with a heavy emphasis on buyout investments in a narrow—and increasingly concentrated—universe of general partner sponsors. In peaking markets, the commitment rates to existing general partners in new and existing strategies grew. In 2016, 82% of the private equity commitments reported were with existing general partners, the highest rate across all years analyzed. Finally, despite considerable media attention, specialized investment strategies (e.g., co-investments) were not widely targeted.

Governance and oversight body involvement was a driver of the implementation approach. Private equity programs administered by internal staff reported wider latitude to make operational, strategic, and implementation decisions, while discretionary consultant/fund-of-funds were primarily utilized for plans with a high degree of oversight body involvement across all functions.

Staffing was a widespread source of frustration, primarily stemming from limited dedicated resources and challenges to hiring experienced staff and retaining them. We further investigated these frustrations with a parallel study, showing private equity staffing to be top-heavy, with ambiguity around the path of career progression and the trajectory of compensation growth.

Across the array of responsibilities to administer an institutional private equity program, investors valued core disciplines of strategic planning, structuring, and pacing; qualitative manager monitoring; performance reporting, benchmarking, and audit; and primary partnership due diligence. Nonetheless, respondents noted that a majority of time was spent performing back office and administrative tasks.

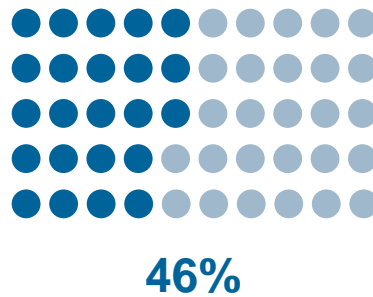
# Respondent Profile

Sixty-nine institutional private equity investors with \$1.2 trillion of total plan assets responded to the survey.

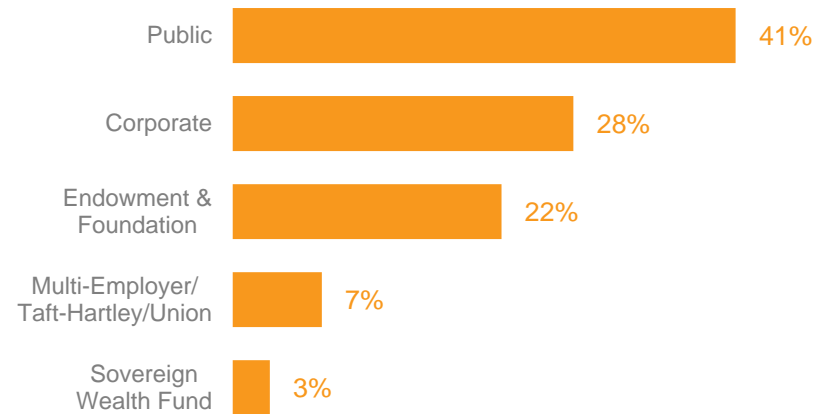
Respondents' private equity programs totaled \$103.3 billion and included 2,715 private equity partnership investments made with 540 unique general partners. Responses reflect assets and program details from calendar year 2016.

Participating institutions were diverse and included Callan clients and non-clients alike, with a tilt toward public pension plans and smaller investment programs. Those filling out the questionnaire were primarily staff members.

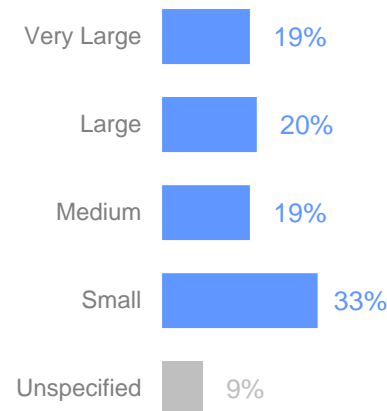
## Callan Clients



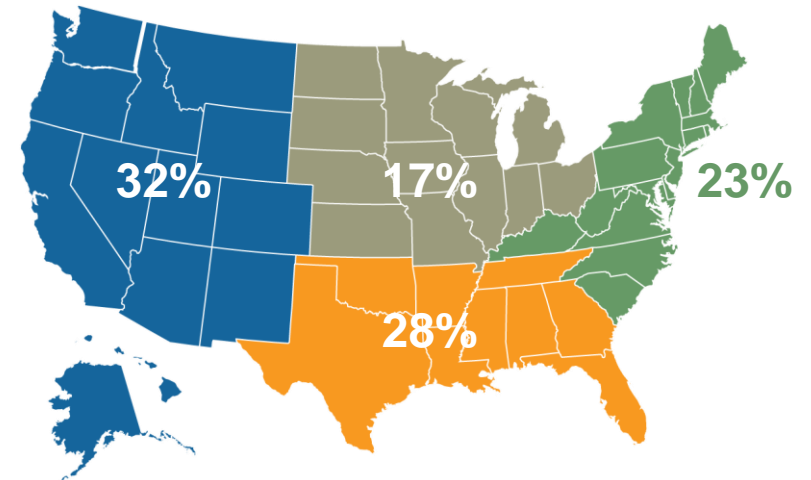
## Plan Type



## Plan Size



## Primary Location



For total plan assets reported as of June 30, 2016. Very Large represents plans greater than \$20 billion. Large represents plans greater than \$3 billion, but less than \$20 billion. Medium represents plans greater than \$1 billion, but less than \$3 billion. Small represents plans less than \$1 billion.

# Respondent Profile

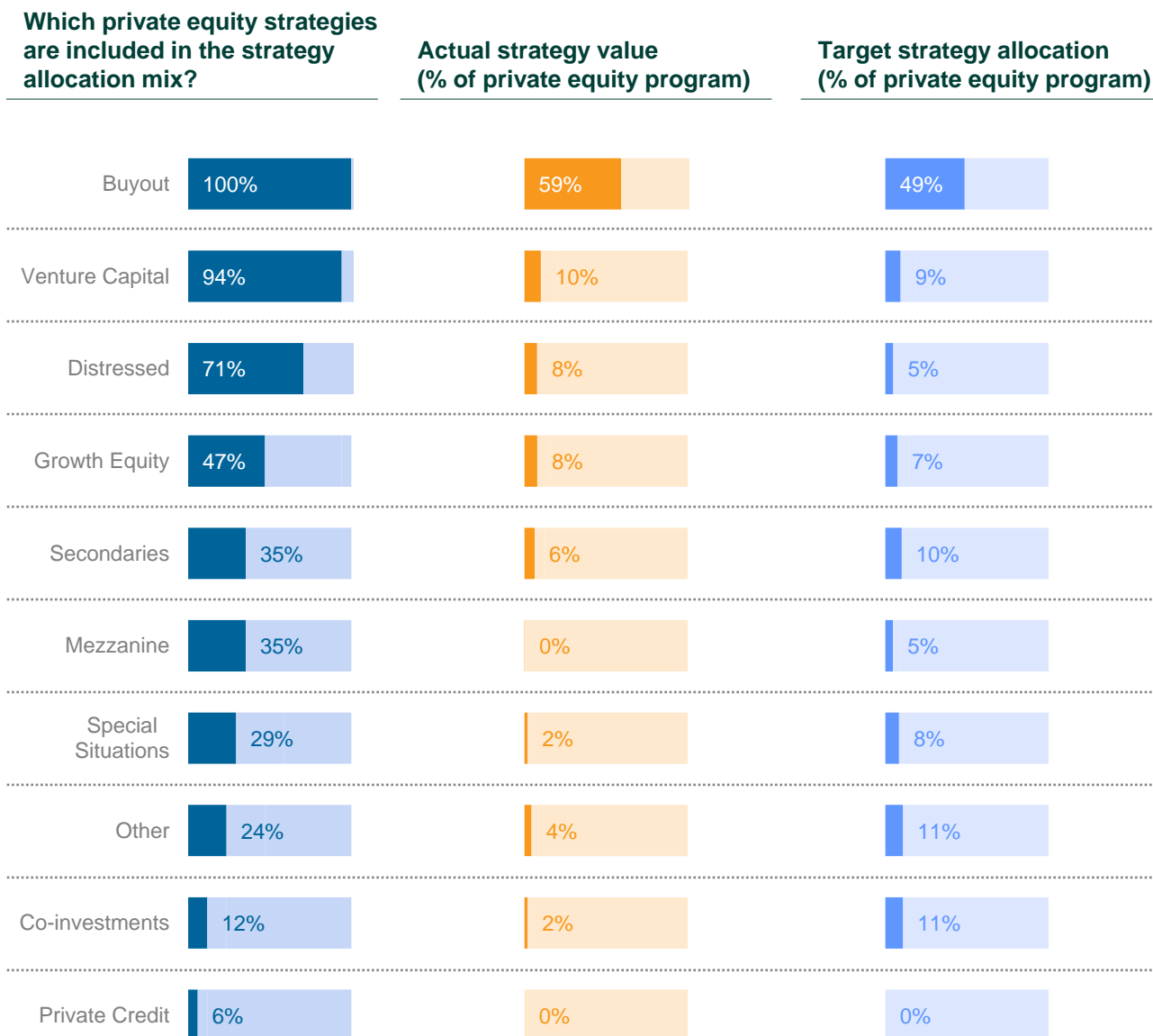
Participants' private equity programs were broadly focused on buyouts, with nearly a 10 percentage point overweight compared to target allocations.

Investors widely (94%), yet only modestly (10%), sought returns through venture capital investments, coupled with about 8% invested in distressed and growth equity strategies.

Strategic preferences were evident for specific respondents; for example, some investors had a growth orientation, with relatively outsized venture capital and growth equity portfolios. One such investor, maintaining a nearly three-decade commitment to growth-oriented private equity investing, was one of the top-performing private equity programs among respondents.

Despite considerable media attention, co-investments were targeted by just 12% of respondents, with actual exposure (2%) falling well below targeted allocations (11%).

In follow-up interviews, respondents indicated that effective co-investment programs required scale and a concerted organizational commitment.



Note: Actual strategy values as of June 30, 2016.

## Respondent Profile

Respondents were at various development stages in their private equity programs.

Public and corporate plans tended to have slightly more mature private equity programs, based on paid-in capital, distributions, and unrealized value.

Endowment & foundation respondents tended to have less mature, but seemingly higher-octane, private equity programs.

Programs using non-discretionary consultants, or administered by staff, represented more developed and mature programs.

### Private equity program characteristics by plan type

	Paid-In Capital	Distributions to Paid-In Capital	Unrealized Value to Paid-In Capital	Total Value to Paid-In Capital
Public	83.3%	1.03x	0.42x	1.45x
Corporate	88.0%	0.95x	0.43x	1.38x
Endowment & Foundation	65.6%	0.70x	1.05x	1.75x
Multi-Employer/Taft-Hartley/Union	94.2%	0.82x	0.57x	1.39x
Sovereign Wealth Fund	67.3%	0.63x	0.75x	1.38x

### Private equity program characteristics by implementation approach

	Paid-In Capital	Distributions to Paid-In Capital	Unrealized Value to Paid-In Capital	Total Value to Paid-In Capital
Discretionary Consultant/Fund-of-Funds	71.0%	0.90x	0.59x	1.50x
Non-Discretionary Consultant	79.2%	1.04x	0.42x	1.45x
Internal Staff	91.1%	1.04x	0.39x	1.42x

Note: Program characteristics as of June 30, 2016.

Paid-In Capital represents the percentage of capital contributions relative to total capital commitments.

Distributions to Paid-In Capital represents the ratio of distributions relative to capital contributions.

Unrealized Value to Paid-In Capital represents the ratio of unrealized value relative to capital contributions.

Total Value to Paid-In Capital represents the ratio of the sum of distributions and unrealized value relative to capital contributions.

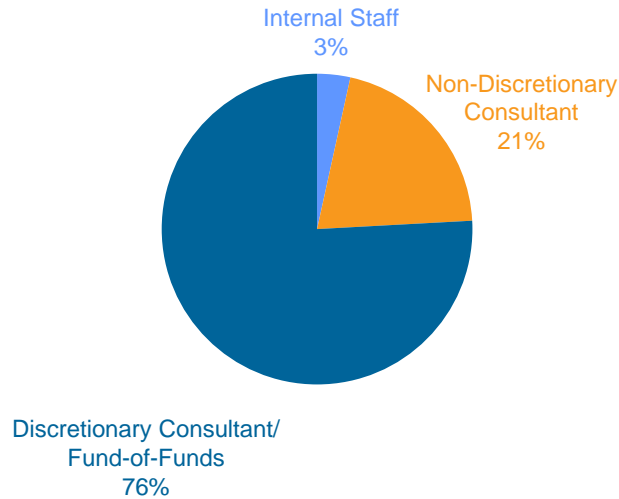
# Implementation Approach

More than three-fourths of survey respondents used a discretionary consultant or fund-of-funds solution for their private equity programs.

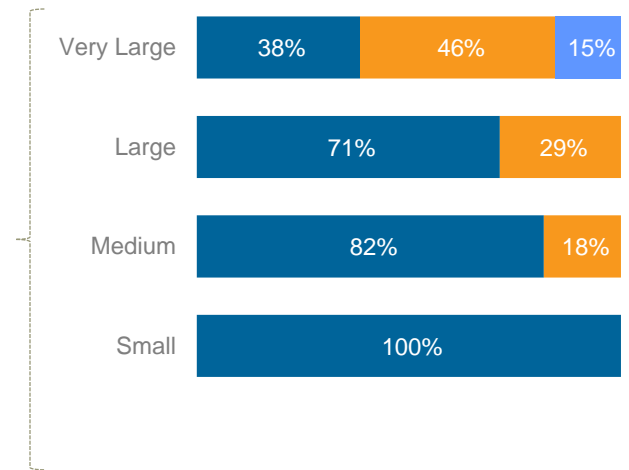
The factors driving the implementation approach were a focus for this survey, and expectedly, the size of the investment program was one of the determining factors.

But this survey also revealed an array of other organizational, staffing, and governance factors that we believe may skew the selection of an implementation approach in a sub-optimal direction for some institutional investors.

**What is the primary implementation approach of your private equity program?**



**Primary implementation approach by total plan size**





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## Investment and Commitment Activities

We wanted to provide more detailed data beyond the well-represented discussions of investors' actual and potential commitment activities, and we used the survey for a deeper examination of respondents' behavior.

This discussion incorporates findings from our analysis of respondents' private equity investment rosters, representing 2,715 partnership investments made with 540 unique general partners.

Broadly (with exceptions where key strategic investment preferences were visible) there was a high degree of similarity across respondents' private equity programs.

Our analysis confirmed a universal commitment to vintage year diversification, an emphasis on buyout strategies, and a collective focus on growing relationships with a narrow universe of general partners.

# Investment and Commitment Activities

Inception years varied widely, with more than half of respondents investing in private equity before 2002.

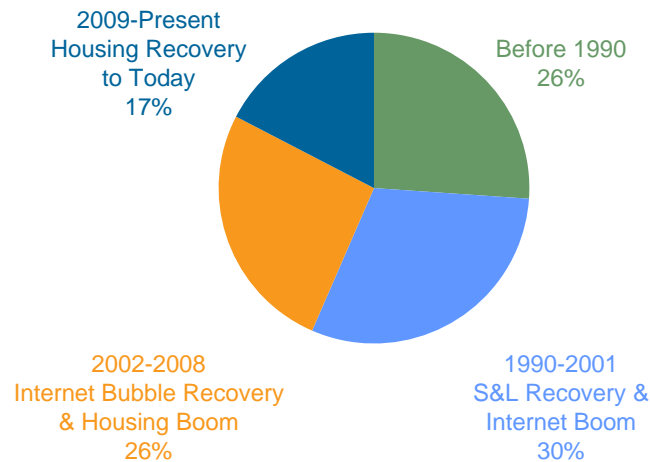
Early adopters of private equity tended to implement their private equity programs with non-discretionary consultants; programs administered by internal staff were also mature.

All respondents demonstrated a focus on vintage year diversification; commitments were made in approximately 91% of the vintage years available for investment after program launch.

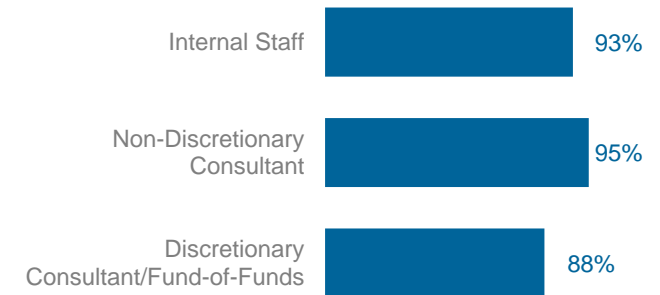
Not surprisingly, investors tended to skip commitments to vintages following periods of market disruption, in which investment objectives and commitment budgets were reevaluated.

Even fund-of-funds investors maintained vintage year diversification through annual commitments to fund-of-funds vehicles. Only one survey respondent staggered the commitments of their fund-of-funds investments.

## What is the inception vintage year of your private equity program?



## Commitment rate by implementation approach to vintage years available for investment



# Investment and Commitment Activities

Respondents' annual commitment activities fluctuated widely, and only a few investors focused on maintaining a steady band of annual commitments despite market or fundraising dynamics.

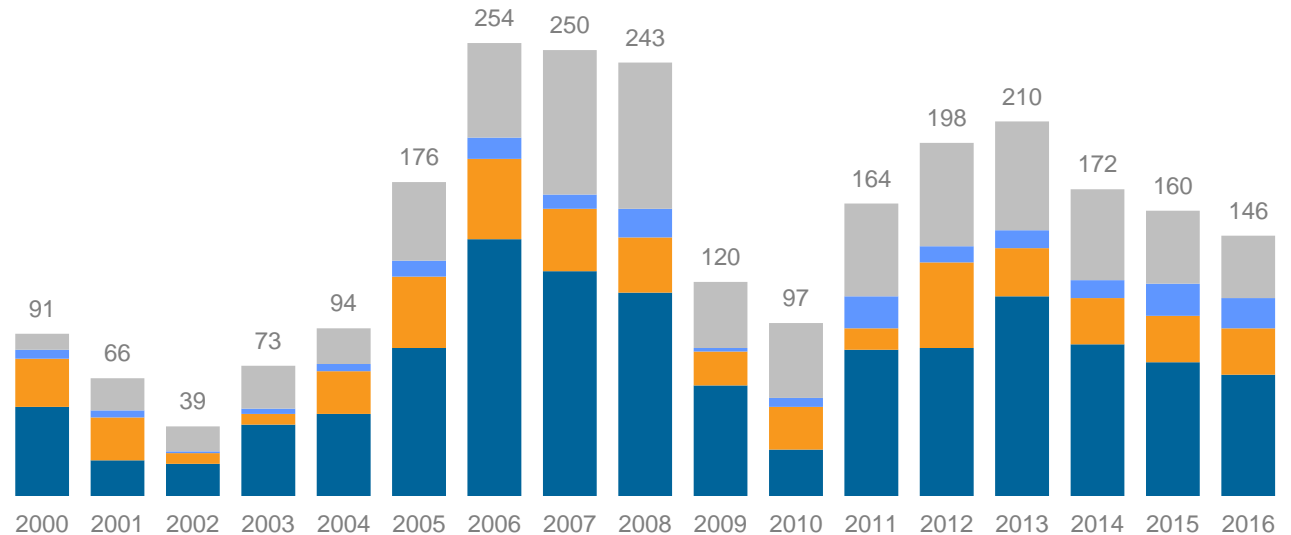
All 2,715 partnership investments were made to a universe of 540 unique general partners.

Within that universe, the top 50 general partners managed 41% of investors' commitments. Further, 197 general partners managed only one commitment across all survey respondents.

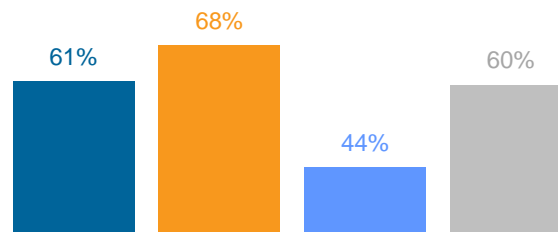
As a result, follow-on commitment activity is becoming a substantial and growing portion of new investment activity.

By strategy, follow-on commitment rates were highest for venture capital (68%). Growth equity exhibited the lowest follow-on commitment rate, largely attributable to investors' recent efforts to develop and expand growth equity portfolios.

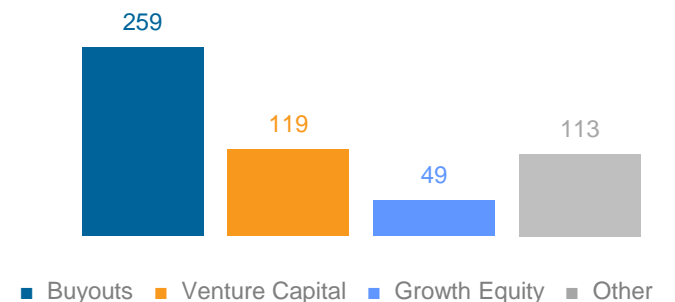
Unique strategy commitments by year



Follow-on commitments as a percent of total strategy commitments (prior 10 years)



Unique general partner relationships by strategy type



Commitment data as of most recently available reporting date between June 30, 2016, and Dec. 31, 2016.

# Investment and Commitment Activities

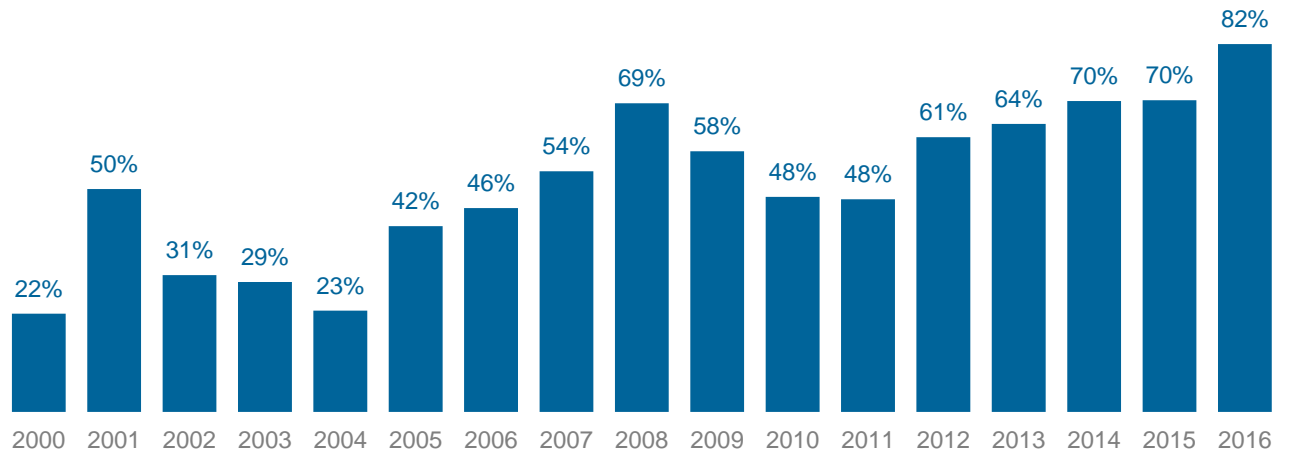
We found that elevated commitment activity at historical market peaks often reflected expanding relationships in new strategy offerings through existing general partners.

In periods of decline, not only did commitment activities contract, but investors reevaluated their existing general partner rosters and took advantage of opportunities to develop new relationships.

In the recent market cycle, the trend of establishing new general partner relationships reversed in 2012 and has been followed by an acceleration of expanding relationships in new strategy offerings through existing general partners.

Of the 146 commitments reported in 2016, more than four-fifths were made with existing general partners.

**Follow-on commitments with existing general partner (as a percentage of total commitments)**



Commitment data as of most recently available reporting date between June 30, 2016, and Dec. 31, 2016.

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## Governance and Oversight

Effective private equity governance and oversight regimes:

- Define the objectives for the private equity program;
- Align capital resources and assign responsibilities to achieve these objectives;
- Prescribe standards and measures of action for administering the private equity program;
- Ensure strategic and investment decisions conform with the objectives of the private equity program and the total plan; and
- Systematically evaluate the composition, risk characteristics, performance, and performance potential of the private equity program.

In this section, we describe the impact of various governance and oversight matters on private equity program administration.

This influence was unexpectedly nuanced; respondents did not report issues with governance and oversight bodies, investment policies, approval processes, or other investment procedures generally, but rather noted specific day-to-day procedural or administrative issues as being restrictive.

On the positive side, respondents indicated that their investment decision-making bodies were sophisticated enough to oversee the private equity program. In the exceptions, the private equity program was largely administered by a discretionary consultant/fund-of-funds, or staff was empowered to handle critical decisions for the private equity program.

# Governance and Oversight

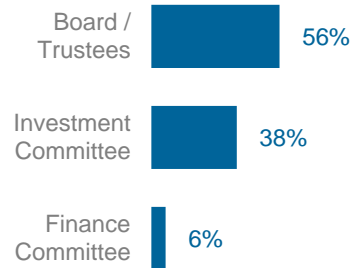
All respondent programs were governed by an investment decision-making body, with varying degrees of oversight.

A majority noted that these oversight bodies convened at least quarterly to review the private equity program. About two-thirds of respondents classified their primary investment decision-making body as being at least proficient with private equity matters.

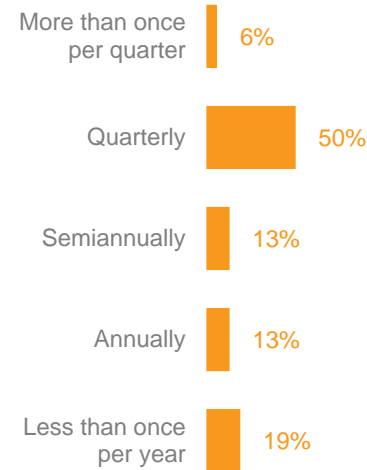
In interviews, no survey participants mentioned oversight body sophistication as being restrictive; investment decision-making bodies were capable of performing their oversight roles.

However, the timing of meetings was cited by staff as being far more disruptive to investment efforts. One interviewee noted that smaller, tactical investment opportunities were often overlooked because the timing of board meetings did not accommodate fundraising cycles.

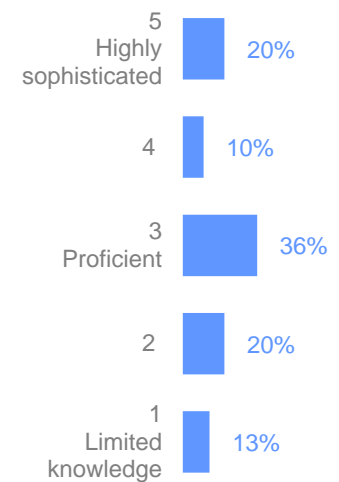
## Indicate your primary investment decision-making or oversight body



## How often does the primary investment decision-making body review the private equity program?



## Rate the level of sophistication of the primary investment decision-making body with private equity matters



# Governance and Oversight

We also looked at the involvement of investment decision-making bodies across an array of functions.

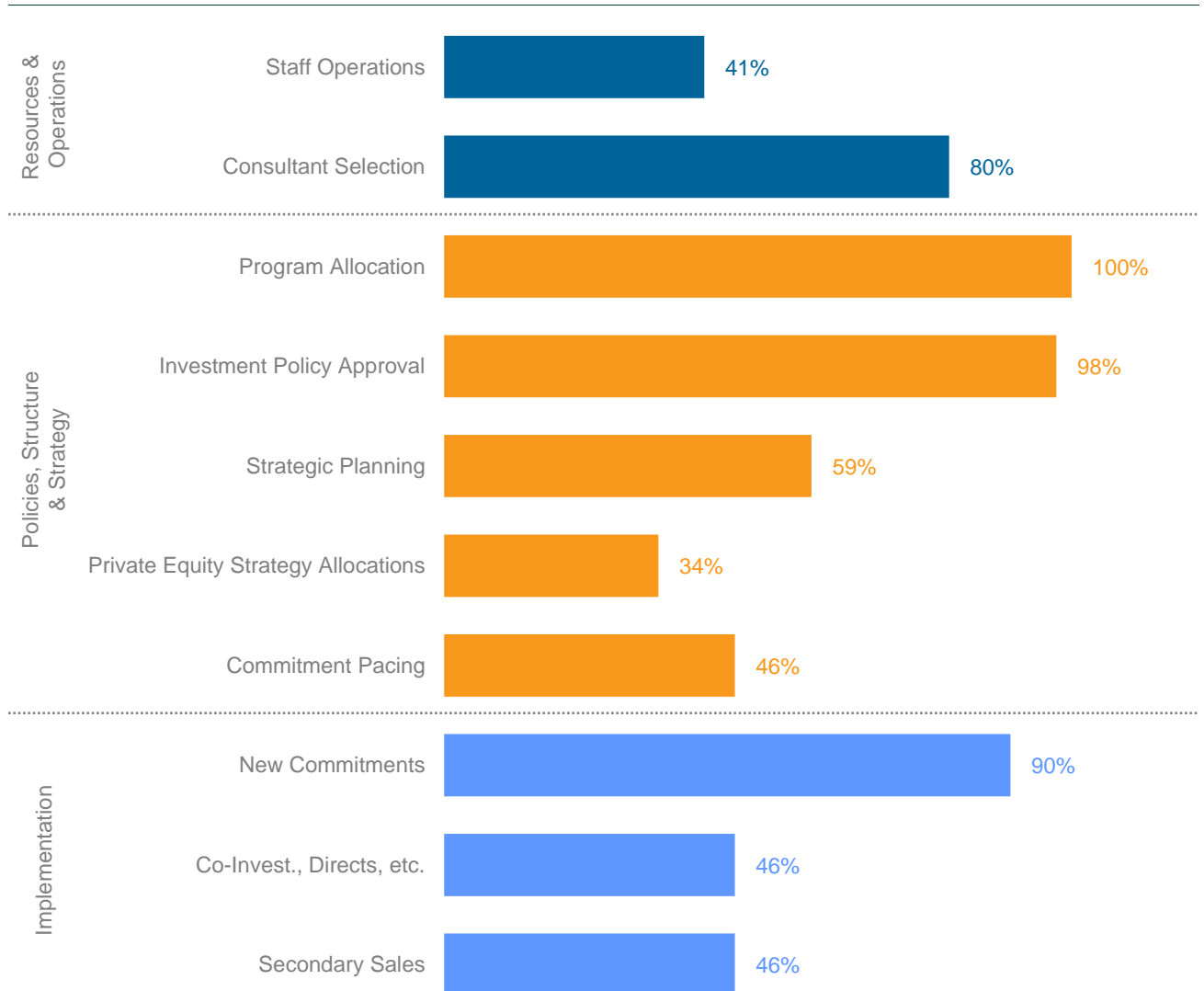
Governing bodies were reported to be widely involved with approving private equity program allocation targets and ranges, private equity and/or total plan investment policies, and the selection of private equity consultants.

Ninety percent of respondents reported oversight body involvement with new commitment activity; however, the degree of involvement varied.

About two-thirds of respondents noted that investment decision-making body approval was required for all private equity investment commitments.

One interviewee noted that "...a restrictive board investment approval process would be difficult to navigate with approvals hinging on brief discussions of opportunities that staff and the consultant have spent months reviewing..."

## Which private equity program administration matters require approval from your investment decision-making or oversight body?



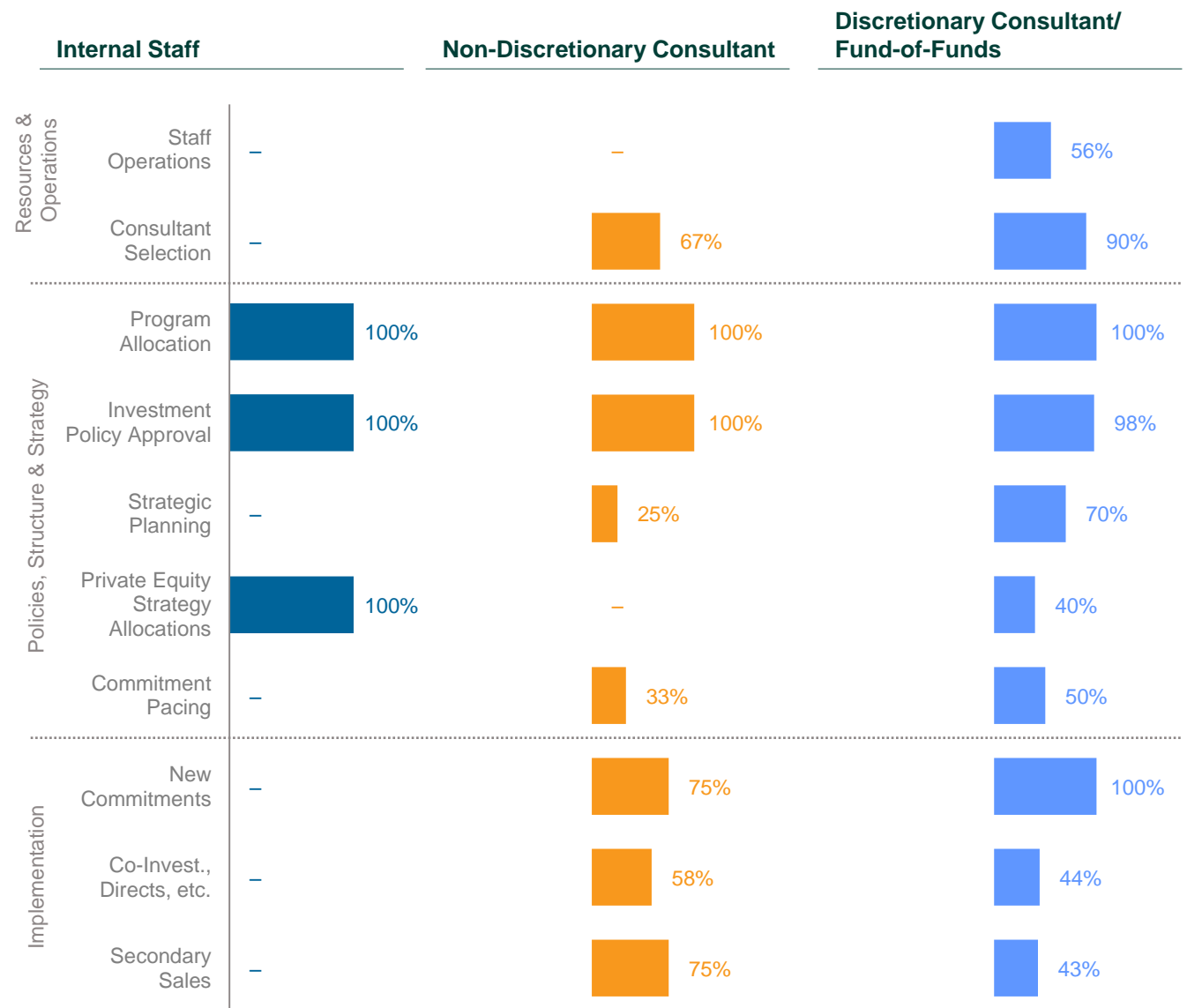
# Governance and Oversight

## Which private equity program administration matters require approval from your investment decision-making or oversight body?

We took the oversight body involvement data and filtered the responses by primary implementation type and found the following:

- Internal staff-managed private equity programs were highly empowered to make operational and implementation decisions, with the oversight body involvement focused on private equity program policies and structure
- Respondents using non-discretionary consultants noted greater involvement of oversight bodies in implementation decisions
- Users of discretionary consultants/fund-of-funds reported that oversight bodies had significant involvement across all functions

One interviewee indicated that "...the ideal model is having the Board approve [a] private equity strategic plan and Staff is empowered with discretion to execute the plan..."





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## Staffing

No topic was more provocative to survey participants than staffing.

Personnel challenges were pervasive, with respondents citing issues with the level of staffing, depth of the available talent pool for hiring, competitive pressures from other organizations, and the level and structure of compensation.

We noticed that staffing issues affected how investors administered their private equity programs, ranging from the implementation approach to how responsibilities were assigned.

These challenges were universal, but staffing characteristics and their implications had disproportionate effects on specific investor segments.

# Staffing

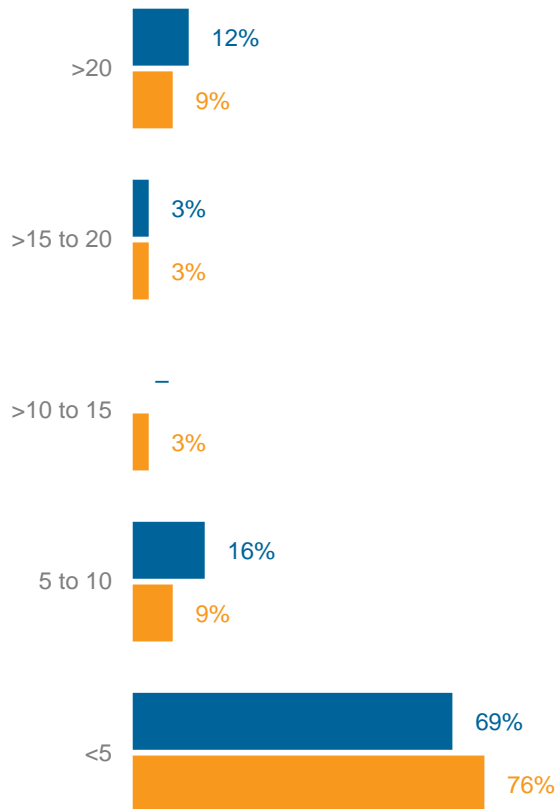
Staffing issues were not isolated to the private equity program, but were prevalent across the overall investment division.

A vast majority of respondents reported that the total investment professional headcount was below five individuals.

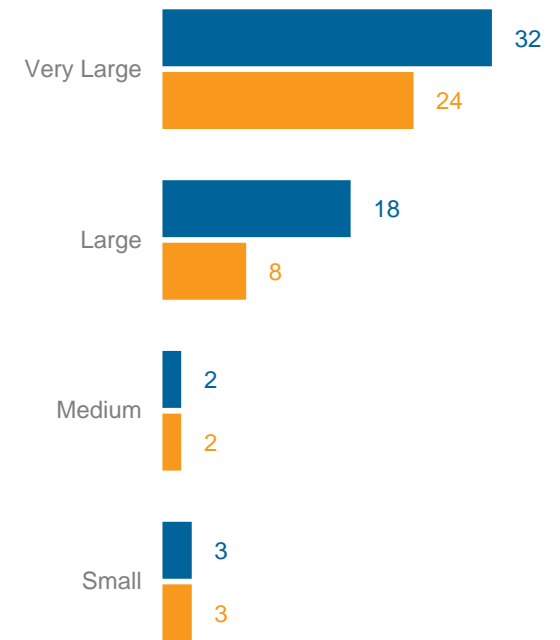
Small and medium plans were generally exclusively staffed by investment professionals, which also represented over two-thirds of staffing for very large plans.

Large plans were disproportionately staffed by non-investment professionals, which increased the challenges of administering their private equity programs.

Headcount for the investments division



Average headcount for the investments division by plan size



■ Total Headcount ■ Investment Professionals

Note: Average headcount figure on the right excludes one very large outlier.

# Staffing

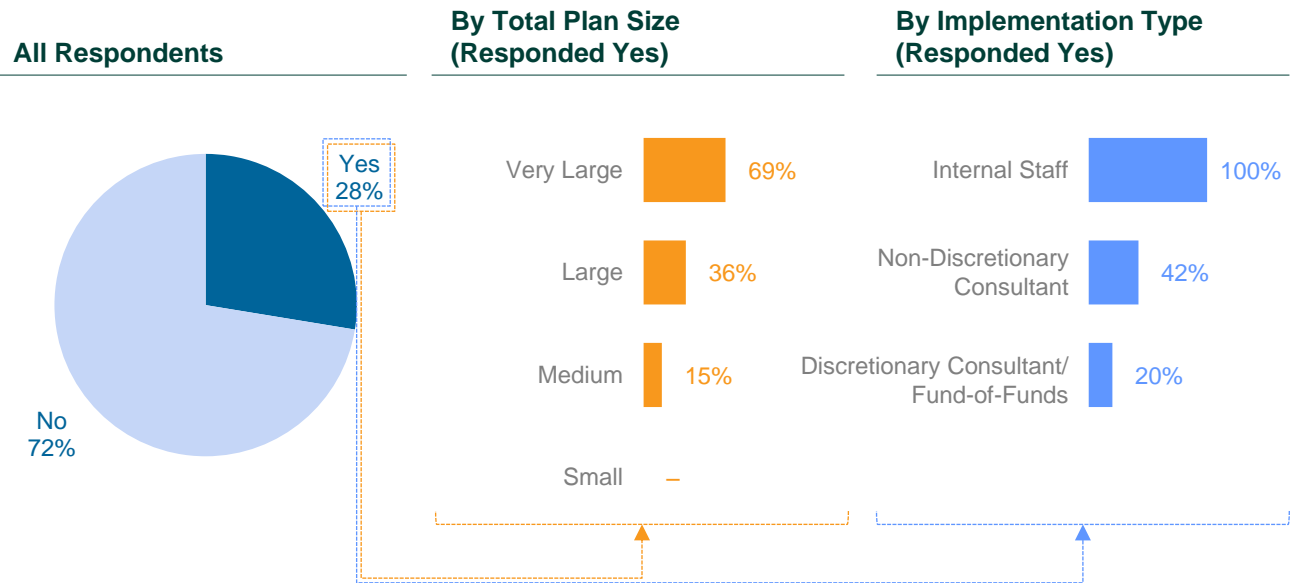
Nearly three-fourths of respondents did not have investment staff focused exclusively on their private equity programs.

But a significant majority of very large plans had staff dedicated to private equity matters.

This rate of dedicated staffing declined with plan size and no small plans had dedicated private equity staff.

Dedicated private equity staffing constraints were a driver of the selection of the implementation model, with smaller plans increasingly reliant on the broader capabilities of those providers.

## Does your institution have dedicated staff focused on the private equity program?



# Staffing

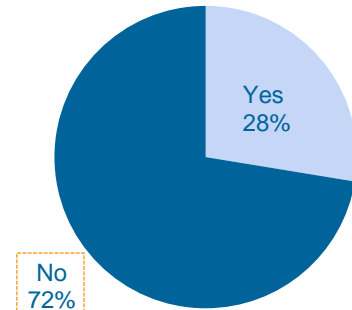
In looking at the plans without dedicated private equity staffing, we noted that 43% were exclusively operated by a single chief investment officer, or equivalent.

The vast majority of these plans utilized a discretionary consultant/fund-of-funds, as well as discretionary solutions in other segments of their investment programs.

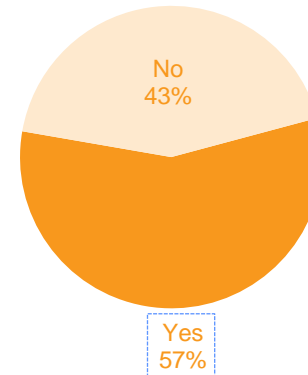
A majority of the other 57% with more staffing organized their private equity coverage with a broader alternatives focus, including real estate and hedge funds.

In many cases, these broad alternatives-focused investment professionals were responsible for coordinating the efforts of many external consulting or fund-of-funds providers, presenting capacity concerns.

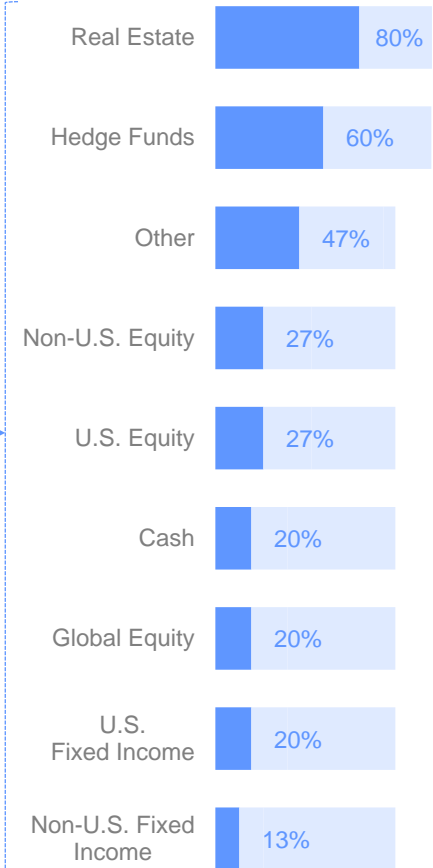
**Does your institution have dedicated staff focused on the private equity program?**



**If “No,” does your institution have dedicated investment staff below the CIO level?**



**If “Yes,” indicate all other asset classes in which staff are involved, in addition to private equity**



# Staffing

Approximately one-quarter of survey respondents had dedicated private equity staff.

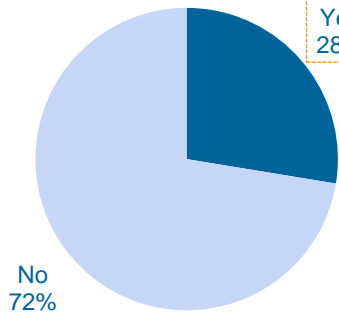
Staffing levels within the private equity program dropped precipitously between very large plans and large plans. Large plans were disproportionately understaffed, mirroring the staffing levels of medium plans.

The average number of partnership investments per dedicated staff member was considerably higher for large plans than very large and medium peers.

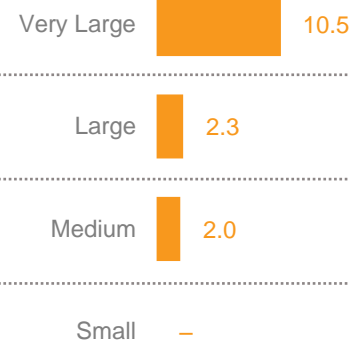
In respondent interviews, a coverage ratio of 20 partnerships per staff member was generally reported as optimal.

In conducting a cursory review of other related organizations, such as private equity consultants and fund-of-funds and their publicly available client portfolio rosters, the typical partnership to investment staff ratio was 11 to 1.

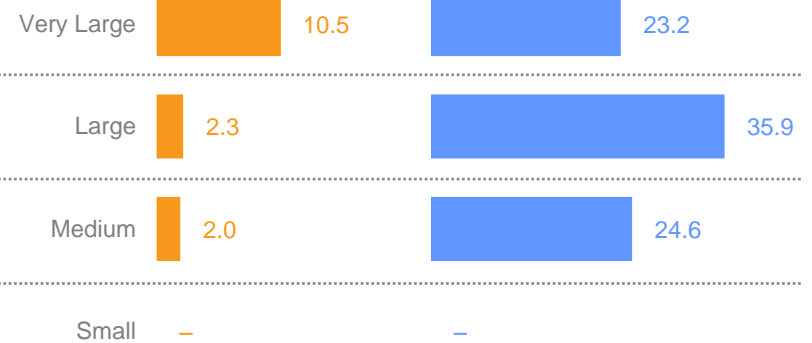
**Does your institution have dedicated staff focused on the private equity program?**



**Average number of dedicated private equity staff**



**Average partnership investments in portfolio per private equity staff**



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## Staffing Supplement: Experience and Compensation

The frustrations caused by staffing constraints were evident and we wanted to really understand the nature and the implications of these issues on private equity program administration.

To do this, we performed a parallel study of institutional private equity staffing with a focus on staffing constituency, experience, and compensation; factors that we believe directly impact how responsibilities are prioritized, roles are assigned and, ultimately, how private equity programs are implemented.

The results of this study reflect publicly available data for 100 investment professionals working within 17 institutional private equity investment programs, both within and outside of Callan *Private Equity Survey* respondents.

Large public pension plans and endowments primarily comprised the constituency of this study and, to avoid biases in staffing constituency, we included only those plans where we have a high degree of confidence that the data we gathered is comprehensive.

We recognize the sensitive nature of some of these topics, but hope that addressing these issues helps advance the interests of your private equity and overall investment programs.

# Staffing Supplement: Experience and Compensation

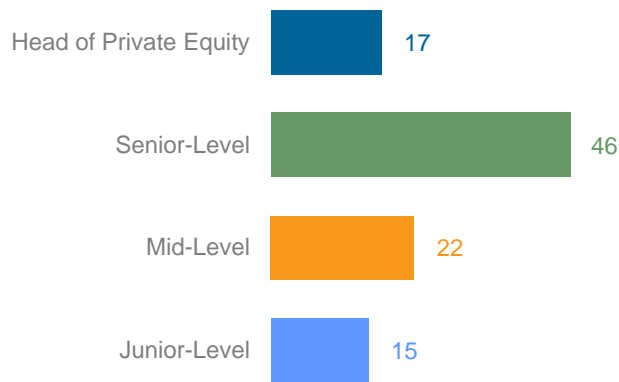
Institutional private equity programs are top-heavy. Sixty-three percent of private equity staff from this study were head- or senior-level professionals, with limited junior-level support.

That contrasts with the results of a separate review of related organizations, such as private equity consulting and fund-of-funds platforms, which found that senior-level professionals totaled about 25% of overall staffing, with nearly 40% representing junior-level and investment support staff.

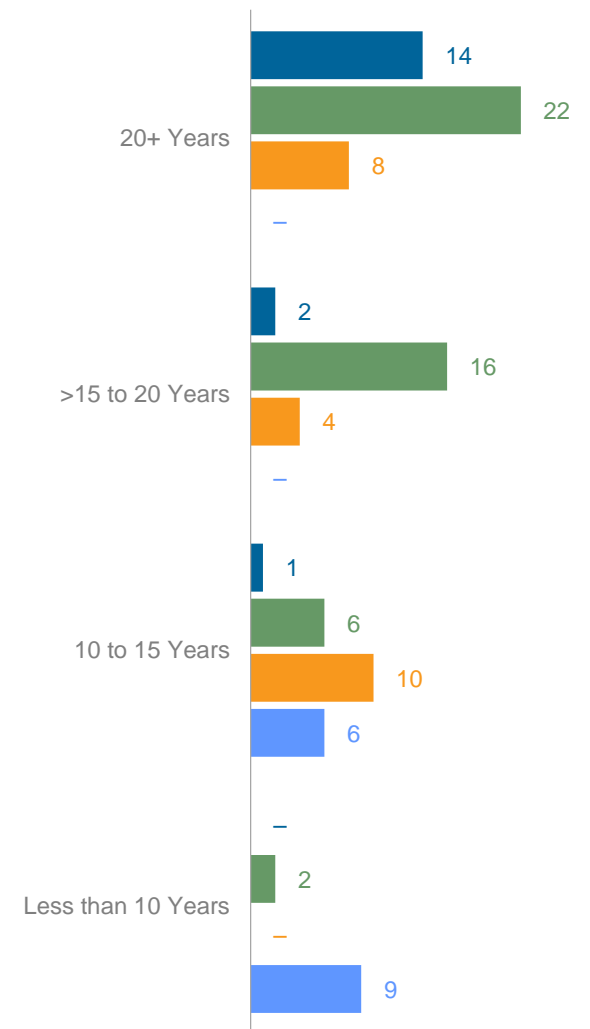
We further investigated the priorities and assignment of responsibilities in the next section, but a broader bench of junior-level and investment support staff would help alleviate capacity constraints and allow experienced staff to focus more on broader strategic considerations.

Additionally, providing a clear path for career progression is a requirement for retaining talent. In our study, we noticed little consistency in the level of seniority at any given range of experience, suggesting heightened external advancement opportunities.

**Composition of private equity staffing (by #)**



**Distribution by years of experience**



Source: Publicly available data.

# Staffing Supplement: Experience and Compensation

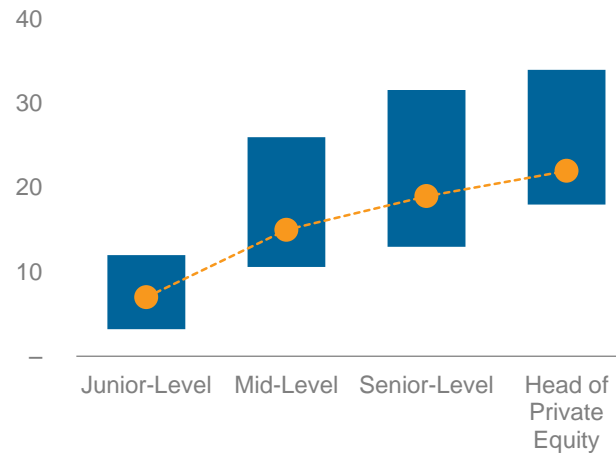
Analyzing career progression more deeply, we can see the overlap even more; nearly 38% of mid-level staff have more experience than the median senior-level professional and 27% of senior-level staff have more experience than the median private equity program head.

When we consider the changes in the relationship between total years of experience and years with institutions, we imputed an 81% turnover rate between junior- and mid-level investment professionals and more than a 23% turnover rate between mid-level and senior-level investment professionals.

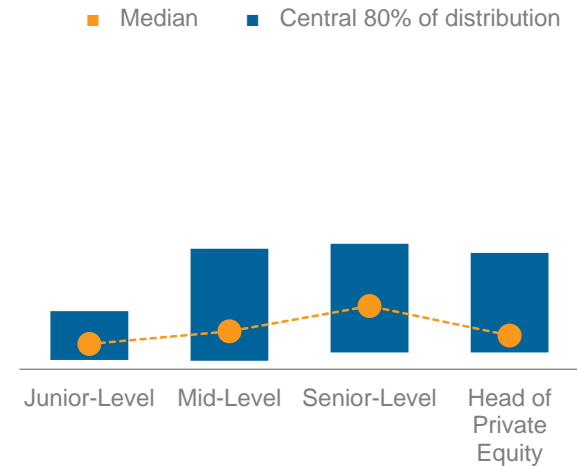
Noticing the decline in years with the current institution of private equity heads relative to senior-level staff (in the top right figure), we see a clear indication that moving to a new institution is a primary mechanism for senior-level professionals to advance.

In the figure on the bottom of this page, we illustrate the depth of experience of private equity staff at, and preceding, their current institutions for all professionals surveyed.

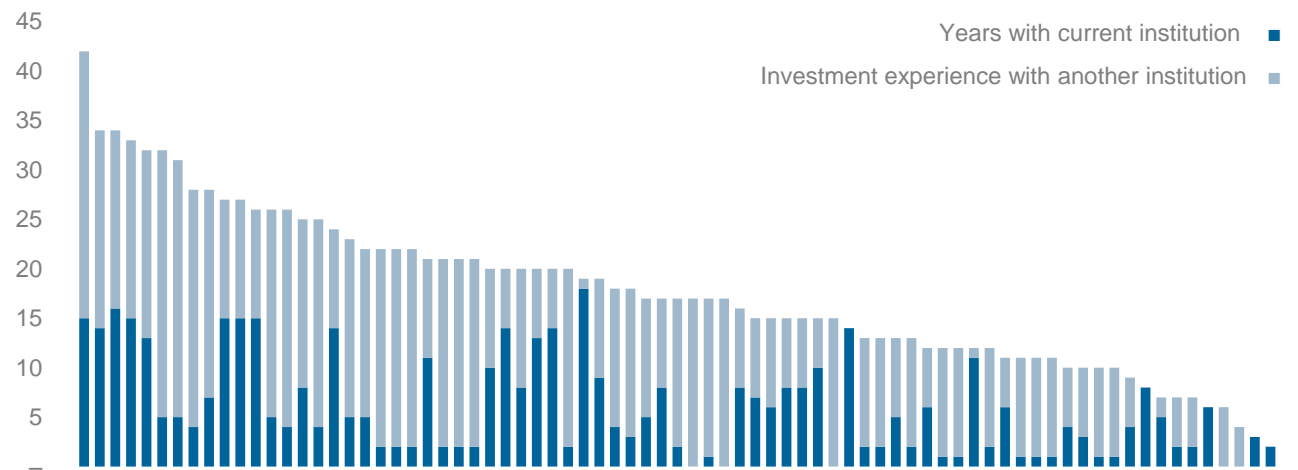
**Total years of private equity staff experience**



**Total years with institution of private equity staff**



**Total years of investment experience and total years with current institution**



Source: Publicly available data. Each vertical bar in the bottom figure represents an individual data point collected.



# Staffing Supplement: Experience and Compensation

In analyzing compensation data, we also noticed a lack of clear compensation progression at various levels of seniority between plans.

This could lead to higher turnover among investment staff as they leave to seek higher pay.

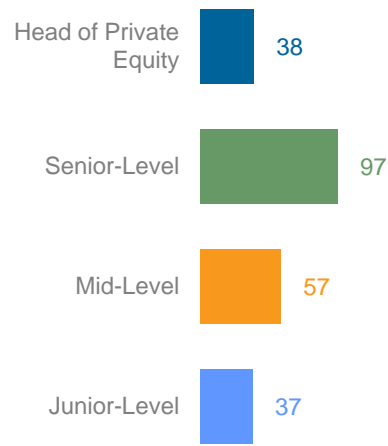
Many investors had structured performance-based compensation schemes.

These compensation structures include sharing arrangements in private equity program outperformance and phantom investment interests in the private equity program, subject to a vesting schedule.

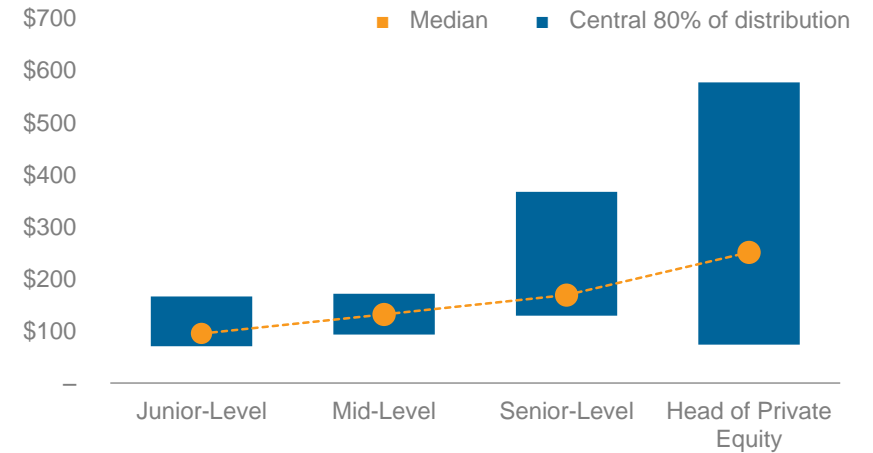
Nearly all survey respondents looking to internalize more private equity functions reported that new compensation structures were a vital consideration to hire and retain staff to advance these strategic efforts.

These plans indicated that new compensation structures have already been installed or are nearing approval.

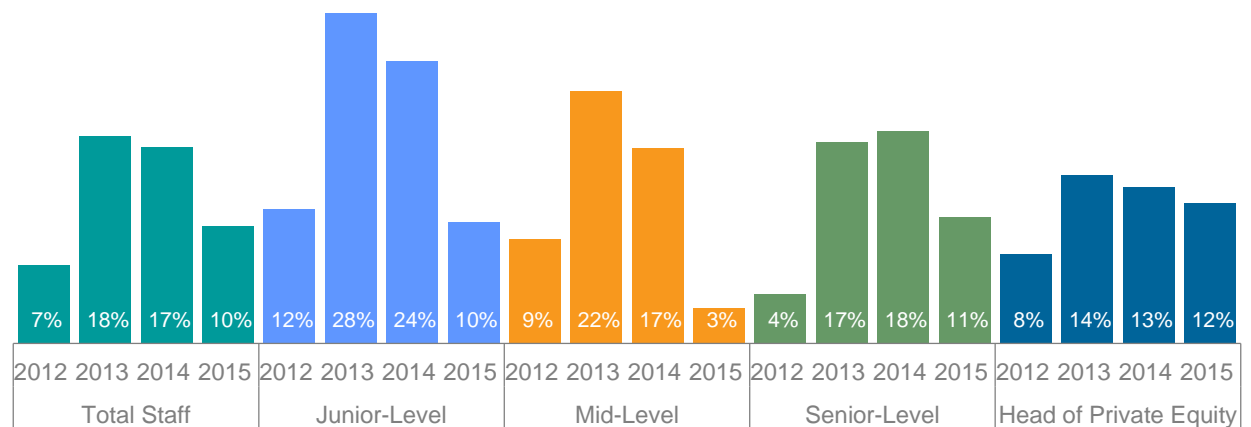
**Aggregate compensation data points collected (2011–2015)**



**Distribution of staff compensation by seniority (\$000s)**



**Year-over-year compensation growth by seniority**



Source: Publicly available data.

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## Program Administration

To effectively administer an institutional private equity program, investors have many areas of responsibility:

- Strategic objectives, investment plans, program structure, and commitment pacing;
- Market dynamics and trends, thematic opportunities, and evolving risk factors;
- Selection of high-quality general partners amid a broad and changing private equity universe;
- Composition of existing portfolios and risk exposures despite constant underlying partnership investment/divestment activities and portfolio company business plan changes;
- Ensuring investors' interests are appropriately represented in all circumstances;
- Performance and performance potential of new and existing investments; and
- Operational, cash management, and administrative matters.

To meet these varying demands of the private equity program, investors must capably coordinate the efforts of various internal and external general partner, investment consultant, legal, tax, and other resources.

In this section, we investigate investors' priorities across all the demands of the private equity program, how investors leverage external resources, how duties are assigned, and how respondents think they should be assigned.

# Program Administration

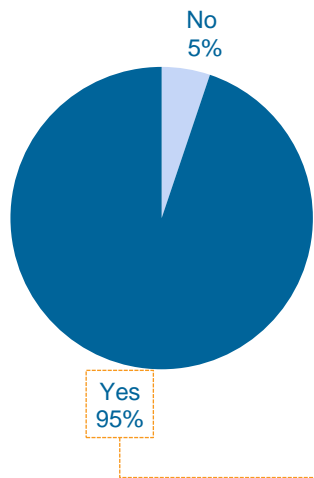
Almost all respondents used a consultant or adviser to assist with their private equity programs. Even internal staff-administered programs used project consultants.

For more than half of respondents, the general investment consultant provided input on the private equity program, with an increasing rate of specialty consultant use for larger plan sizes.

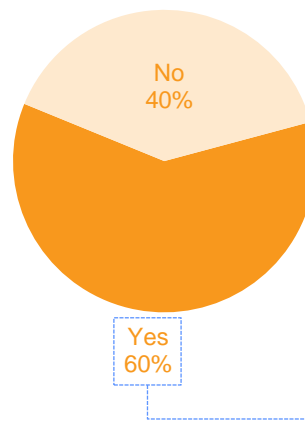
All small plans reported that their general investment consultant helped with the private equity program; however, in all cases, the consultants were responsible for overseeing discretionary consultants/fund-of-funds managers.

Project consultants were used by 7% of survey respondents and limited to very large and large plans.

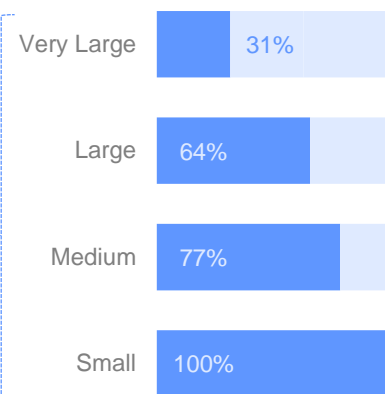
**Do you utilize a private equity consultant or adviser to assist with your private equity program?**



**If “Yes,” is the consultant the same as your general investment consultant?**



**Private equity consultant is the same as general investment consultant by plan size**



# Program Administration

Understanding the resources available to staff, we investigated the most critical functions and how various roles were assigned.

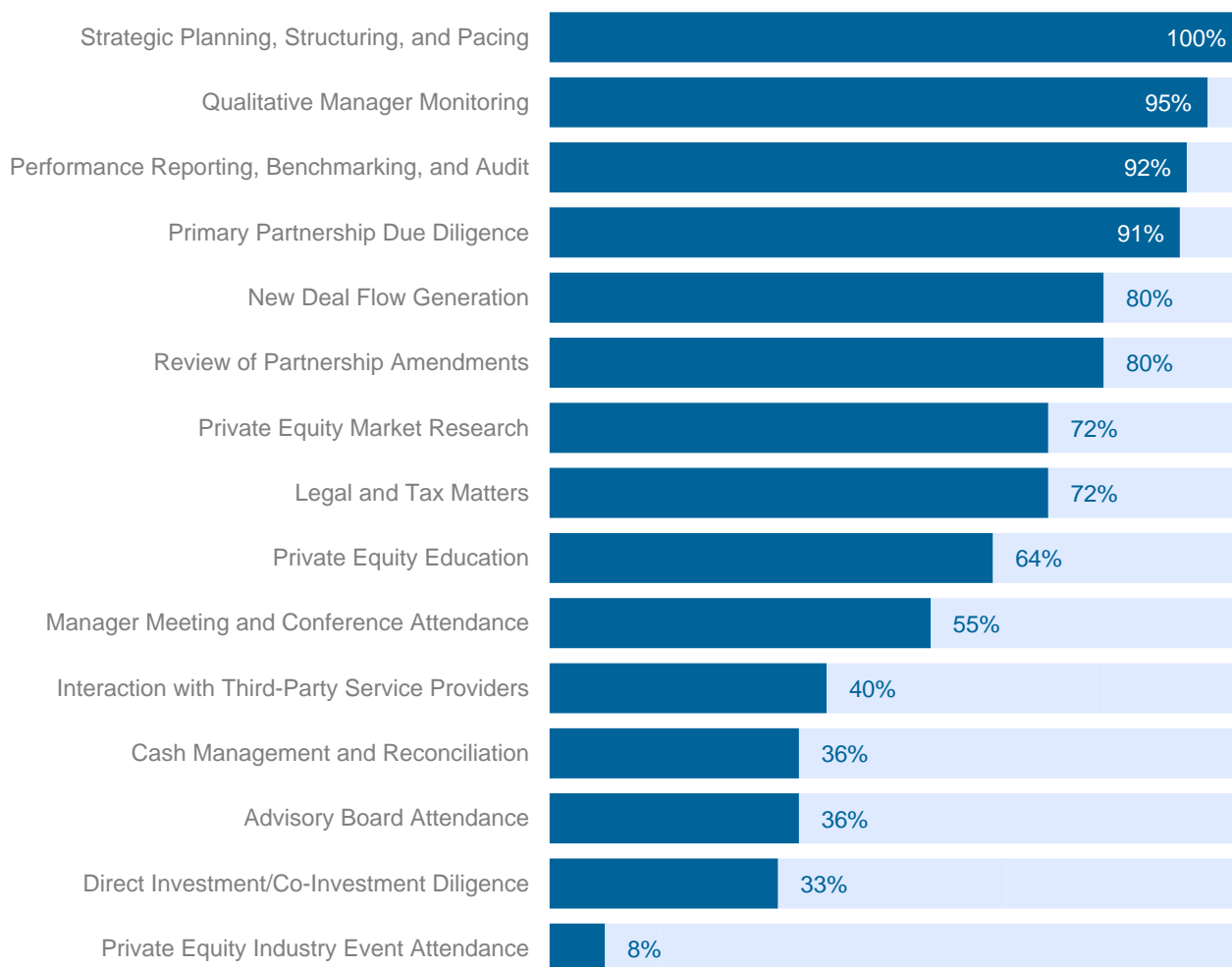
Investors prioritized core strategic, portfolio management, and investment functions over specialized capabilities.

Also, investment staff spend a lot of time on operational tasks, such as cash management and accounting functions, as well as addressing existing partnership investment issues, with external resources leading new investment efforts.

Investors want to use their external consultants for deeper market research, increased participation in investor conferences, and more in-depth education for staff and oversight bodies.

Respondents also indicated a desire to use their consultants more to coordinate various third-party resources.

## Percent of survey respondents ranking private equity program administration functions as important or very important



# Program Administration

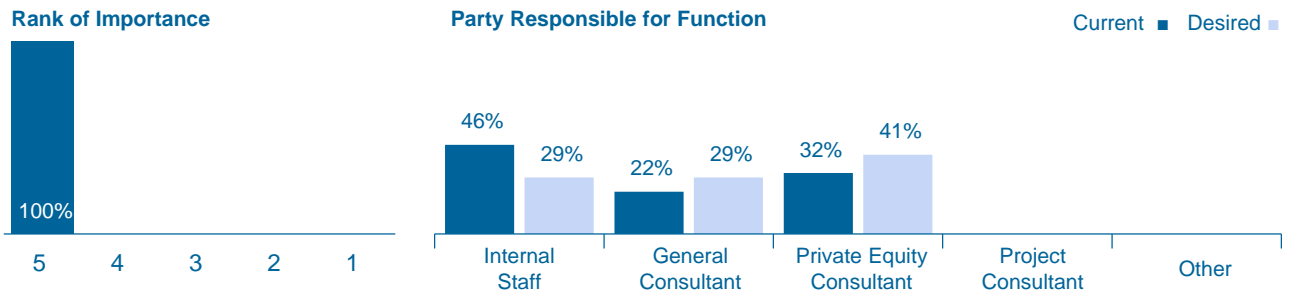
Respondents universally view strategic planning, structuring, and pacing as very important. Nearly half lead these efforts internally, while 70% believe external consultants are better poised for the role.

In follow-up interviews, the value of strategic planning was strongly reinforced. One investor noted that, to strengthen its strategic planning efforts, a consultant is regularly engaged to provide an independent and critical review of the construction and evolution of the private equity program.

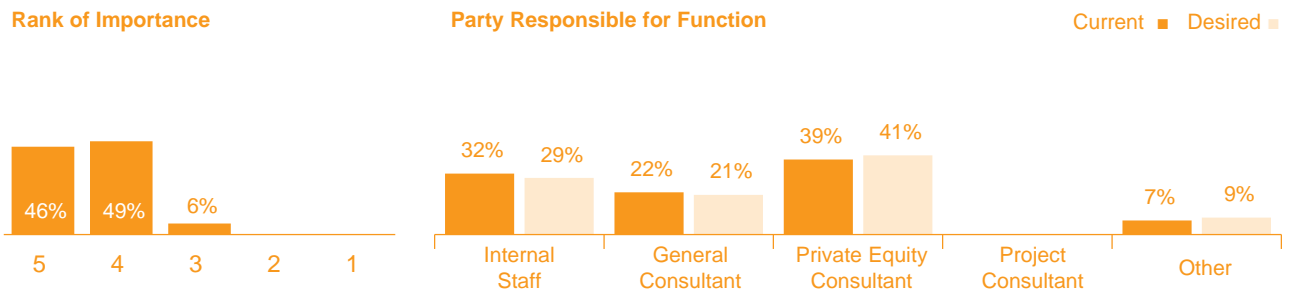
Qualitative manager monitoring and oversight of existing private equity partnership investments was viewed as highly important to 95% of investors. Many respondents viewed this function as the first to be impacted by staffing constraints, but an area where further assistance would be useful.

Performance reporting, benchmarking, and audit was also viewed as highly important. Many respondents were unclear how their private equity programs were performing on a relative basis and desired further information on peer performance.

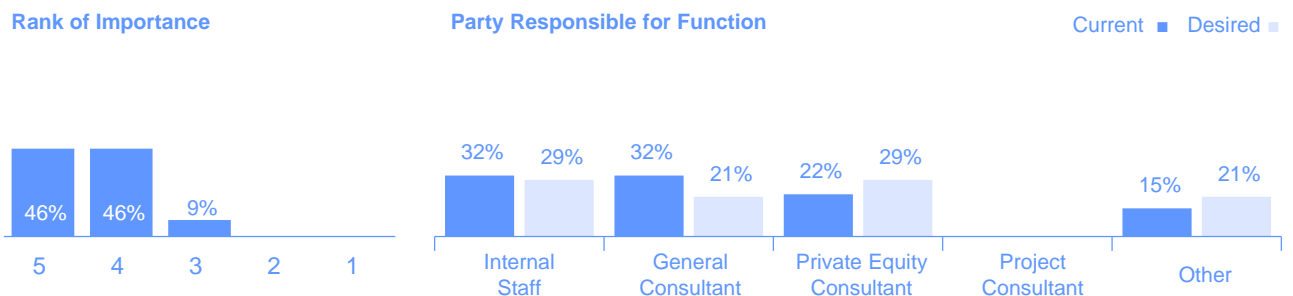
## Strategic Planning, Structuring, and Pacing



## Qualitative Manager Monitoring



## Performance Reporting, Benchmarking, and Audit



Note: For Rank of Importance, "5" indicates very important and "1" indicates not important. Figures may not total 100% due to rounding.

# Program Administration

Investors place significant value on the primary partnership due diligence role. These efforts are primarily led by staff and specialty consultants, with less reliance on the general investment consultant.

In a follow-up interview, one very large plan valued the efforts of the external consultant to quarterback a robust and consistent due diligence process, but did not feel that the efforts typically uncovered new information that staff did not already know.

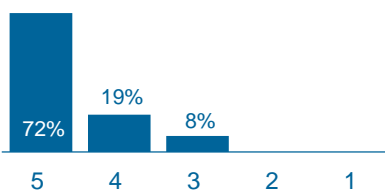
This dovetails with the knowledge stemming from existing general partner relationships and the high rate of follow-on commitment activities.

Still, investors continue to place an emphasis on new deal flow generation, a role viewed as best led by specialty consultants.

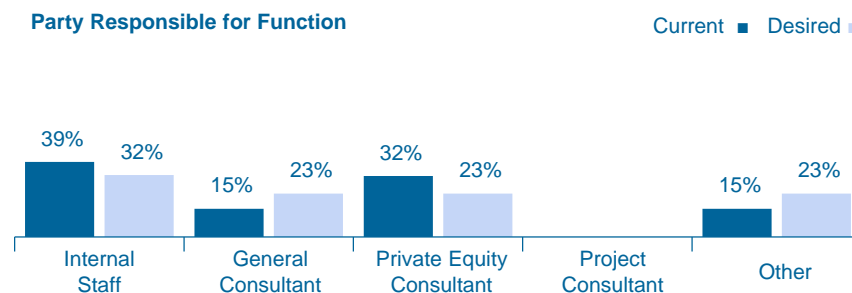
Staff primarily leads the review of partnership amendments, but respondents believe the function is best performed by external resources.

## Primary Partnership Due Diligence

Rank of Importance

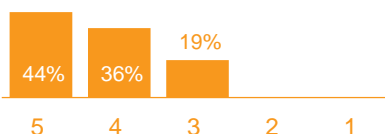


Party Responsible for Function

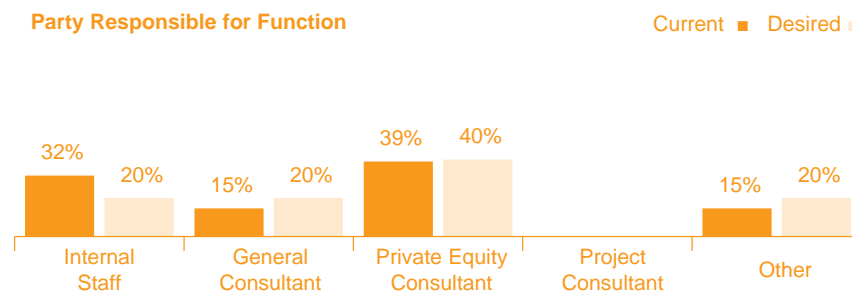


## New Deal Flow Generation

Rank of Importance

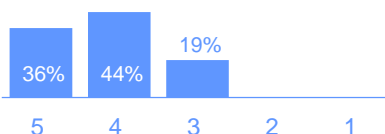


Party Responsible for Function

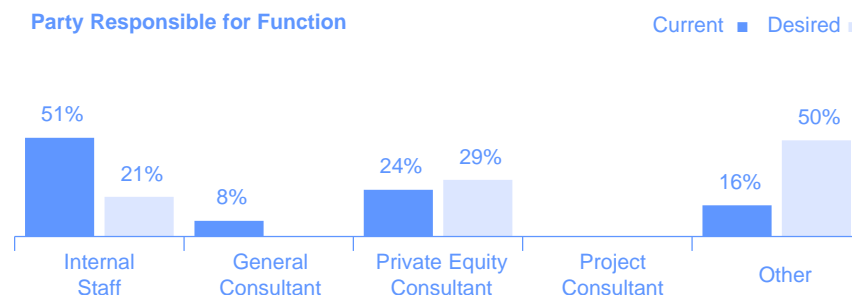


## Review of Partnership Amendments

Rank of Importance



Party Responsible for Function



Note: For Rank of Importance, "5" indicates very important and "1" indicates not important. Figures may not total 100% due to rounding

# Program Administration

Private equity market research is viewed as an important function, primarily driven by external consultants.

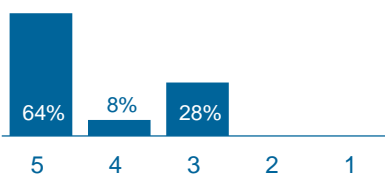
One very large respondent appreciated the research provided by its specialist consultant for international investments. This investor said the efforts helped get staff informed with legal and political matters before new commitments are made.

A large investor noted a desire for greater depth in the research that is provided and further granularity in sector operating trends, transactional activities, and financing markets. This investor is seeking to use these insights to guide new commitment activities and inform active portfolio management.

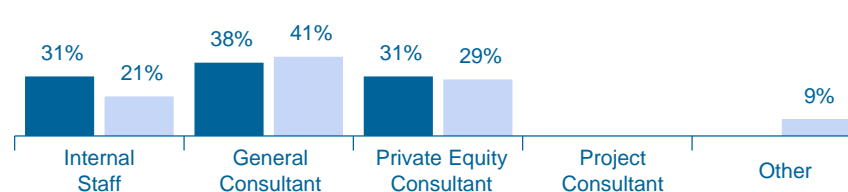
Private equity education to staff and oversight bodies is also viewed as an important function to investors. Many interviewees noted an interest in in-depth education on topical private equity matters.

## Private Equity Market Research

Rank of Importance

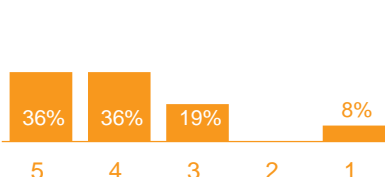


Party Responsible for Function

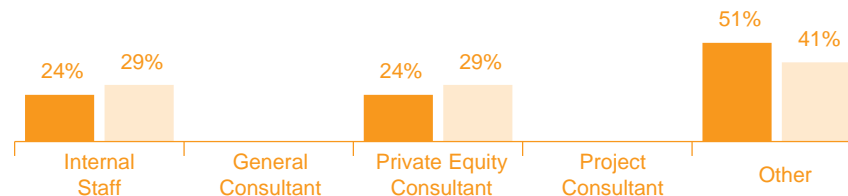


## Legal and Tax Matters

Rank of Importance

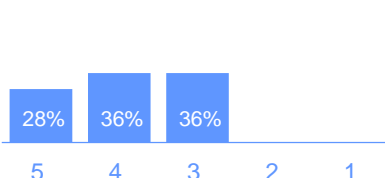


Party Responsible for Function

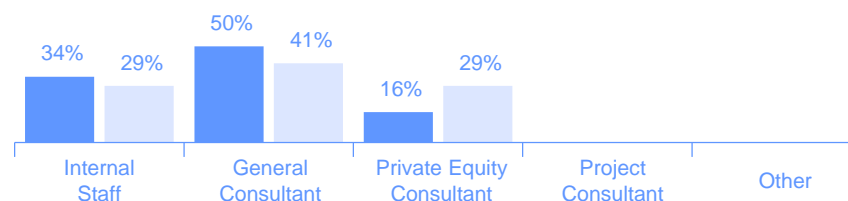


## Private Equity Education

Rank of Importance



Party Responsible for Function



Note: For Rank of Importance, "5" indicates very important and "1" indicates not important. Figures may not total 100% due to rounding

# Program Administration

Manager meeting and conference attendance is viewed as a necessary effort, with investors seeking to offload more of the effort to external resources.

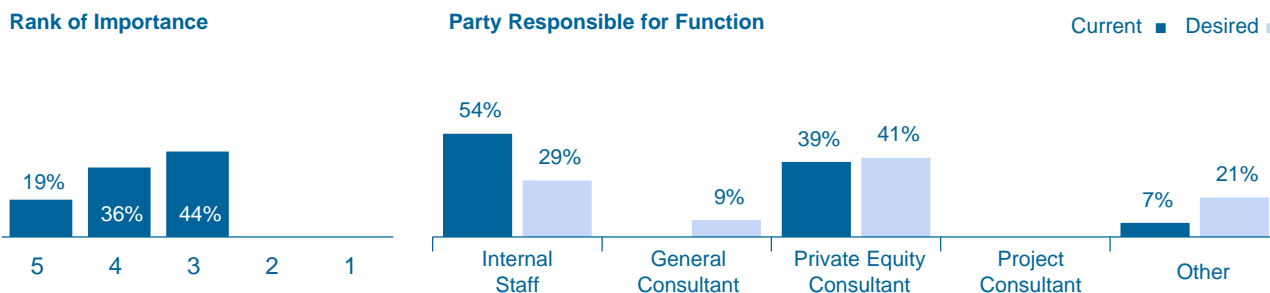
Respondents are placing more emphasis on direct meetings with general partners and less focus on annual investor conferences, viewing the latter as highly rehearsed affairs. Some plans seek to leverage external consultants for these conferences.

Interaction with third-party service providers is largely led by staff, with respondents believing that coordination efforts could also be effectively led by the general investment consultant or specialist consultant.

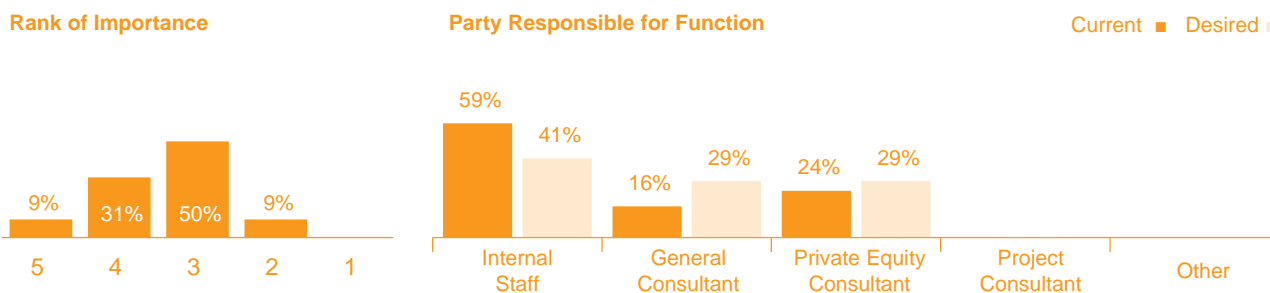
Cash management and reconciliation emerged as a contentious matter and a strain on resources.

One head of private equity indicated that over three-fourths of his time was spent on cash management and account matters, at the expense of focusing on key investment issues.

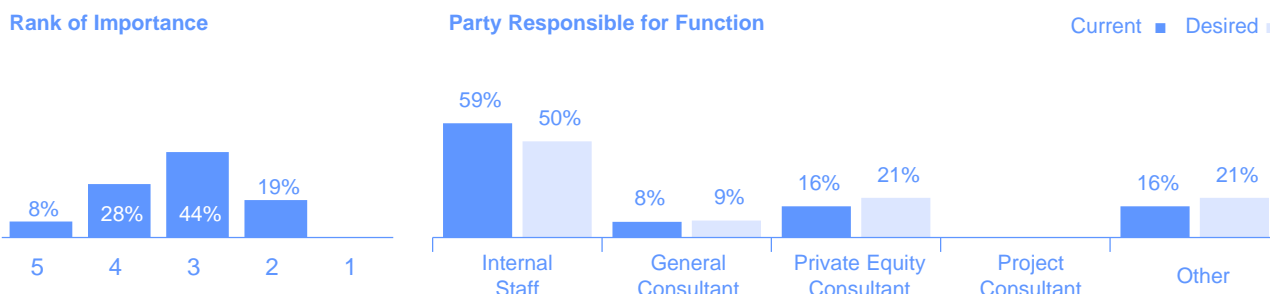
## Manager Meeting and Conference Attendance



## Interaction with Third-Party Service Providers



## Cash Management and Reconciliation



Note: For Rank of Importance, "5" indicates very important and "1" indicates not important. Figures may not total 100% due to rounding



# Program Administration

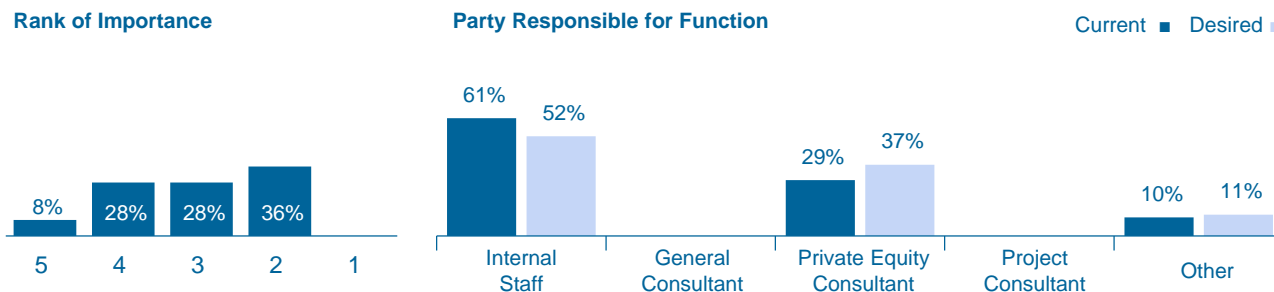
Advisory board attendance is primarily led by staff, with few survey participants seeking to leverage their specialist consultant for the role.

Two respondents noted that advisory board meetings were slowly becoming rehearsed, much like annual investor conferences, and both were more focused on discussing advisory board matters in one-on-one meetings with general partners.

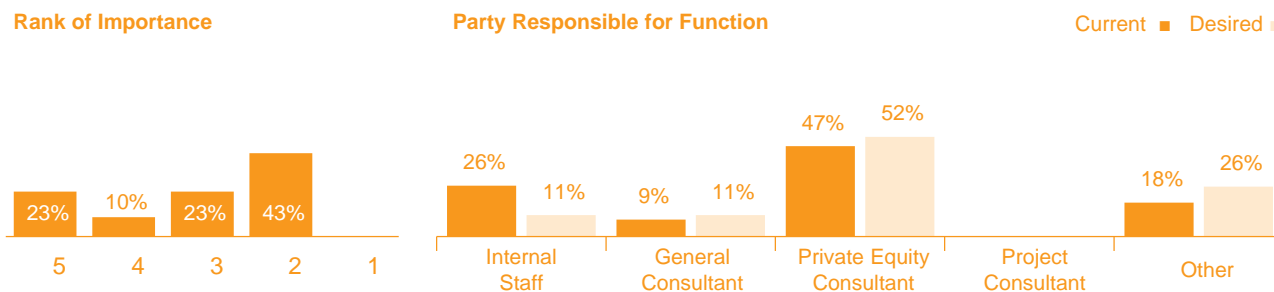
A majority of respondents viewed specialty consultants as being best-poised to perform direct investment/co-investment diligence; however, few survey participants had targeted these investment types within their private equity programs.

A majority of respondents view private equity industry event attendance as somewhat important and generally use these efforts to learn about topics that other investors were focused on.

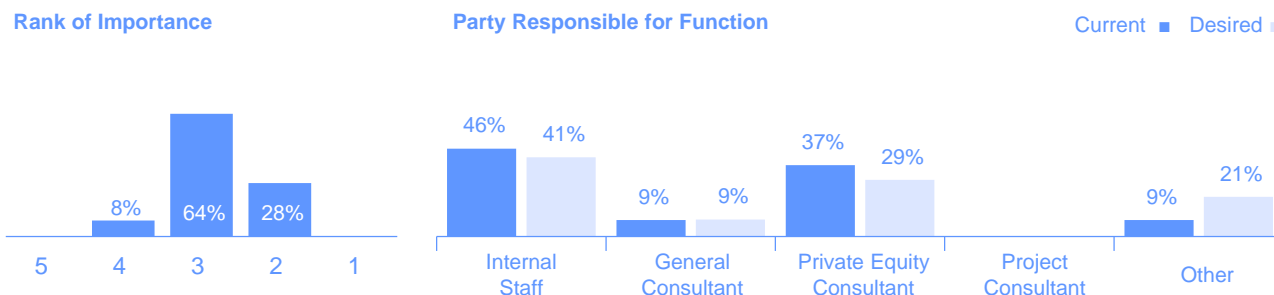
## Advisory Board Attendance



## Direct Investment/Co-Investment Diligence



## Private Equity Industry Event Attendance



Note: For Rank of Importance, "5" indicates very important and "1" indicates not important. Figures may not total 100% due to rounding

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## About the Author



**Jay Nayak** is a Senior Vice President in Callan's Private Equity Research group. His role includes research coverage of private equity strategies and private credit on behalf of the firm's clients. This due diligence process includes a review of investment strategies, organizational structures, investment processes, track records and other firm-, investment vehicle- or asset class-specific considerations. Jay is also responsible for performing research on private market investments for internal and external distribution.

Jay joined Callan in September 2008. Jay has also been a member of the investment banking team at Guggenheim Securities and functioned as an Analyst with International Partners. Jay received an MBA with a concentration in Banking and Finance from New York University and received an MS in Real Estate with a concentration in Finance and Investments from New York University. Jay received a BA in Economics from University of California, San Diego.

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