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POST-CALL NOTES

EP 30

TOPIC DISCUSSION:

US Public Pension
Plans A to Z

Dakota Insights Podcast

Post-Call Notes / Episode 30

TOPIC DISCUSSION: US PUBLIC PENSION PLANS A TO Z

Introduction & Market Overview

The US Public Pension Universe

- Dakota Marketplace tracks over 800 US public pension plans representing \$9 trillion in AUM — one of the most important LP channels in institutional investing.
- The universe is severely top-heavy: 24 plans above \$100 billion hold nearly 60% of all assets. Just 74 plans above \$25 billion represent 87% of total system assets.
- Two-thirds of plans sit below \$1 billion in AUM, but those 565 plans together hold just 1.2% of total assets.

Understanding The Universe

Dakota Marketplace tracks over 800 US public pension plans. But the thing that really defines this universe is how top-heavy it is. Let's pull up the size breakdown.

US PUBLIC PENSION UNIVERSE BY AUM BRACKET

AUM BRACKET	# PLANS	TOTAL AUM	% OF PLANS	% OF AUM
\$100B+	24	\$5.39T	2.9%	59.3%
\$50–100B	21	\$1.49T	2.5%	16.4%
\$25–50B	29	\$0.99T	3.5%	10.9%
\$5–25B	62	\$0.83T	7.5%	9.1%
\$1–5B	126	\$0.28T	15.2%	3.1%
Under \$1B	565	\$0.11T	68.3%	1.2%

Source: Dakota Marketplace

Plan Types and Why They Matter

- Plan types include statewide retirement systems, teacher systems, municipal and city plans, county plans, and investment authorities (e.g., Washington SIB, SWIB).
- Each type carries its own governance structure, board composition, and consultant relationships — all of which shape how investment decisions get made and how managers should engage.

The Role of Private Markets

Two Decades of Adoption

- In 2005, large plans held roughly 10–15% in alternatives. By 2015 that climbed to the mid-20s. Today, plans above \$25 billion average approximately 37% in alternatives.
- Private equity led the first wave. Real assets and infrastructure followed as plans sought inflation sensitivity and liability-matching characteristics. Private credit is the most recent — and fastest-growing — adoption cycle.
- The driver throughout has been the return assumption gap. Most plans carry actuarial return assumptions of 6.8–7.5%. Post-2008, hitting those targets with a traditional 60/40 portfolio became mathematically difficult. Alternatives offered the premium necessary to make the math work.

Commitment Activity — Q1 2025 through Q1 2026

- Capital committed nearly doubled year-over-year, from \$46.6 billion in Q1 2025 to \$83.2 billion in Q1 2026.
- Commitment count grew from 440 to 770 over the same period — driven largely by smaller plans entering alternatives for the first time.
- Private credit now represents 24% of all reported commitments, up from near zero a decade ago.

RECENT PRIVATE MARKET COMMITMENT ACTIVITY — Q1 2025 THROUGH Q1 2026

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Capital Committed	\$46.6B	\$56.5B	\$65.8B	\$56.9B	\$83.2B
# Commitments	440	408	612	650	770

Source: Dakota Marketplace. Covers disclosures reported between January 1, 2025 and March 31, 2026.

How Private Market Programs Operate

Pacing and Deployment

- Large plans manage private markets through multi-year pacing programs, committing capital annually to stay on target despite the lag between commitment and deployment.
- Managing vintage mix is as important as manager selection for many CIOs.
- Even the most alternatives-heavy plans rarely push beyond 50–55% in illiquid assets. The 2022 denominator effect — where public market drawdowns inflated alternatives' share of portfolios — forced several plans to pause or slow new commitments.

Co-Investment and SMAs

- The largest plans — CalPERS, CalSTRS, NYSCRF, Texas TRS — run active co-investment programs. Key benefits: fee savings at scale, larger deployment per relationship, and internal staff capability development.
- At the top of the market, plans have moved into full SMAs with their largest manager relationships. Blackstone, KKR, and Ares have all built significant SMA businesses off large pension relationships.
- The secondary market has matured into a standard portfolio construction tool — used both to exit underperforming relationships and as a buy-side entry mechanism with compressed J-curves.

Investment Office Structure & Governance

Team Size by Plan AUM

- **Plans above \$100 billion:** 100–200+ investment professionals organized by asset class with dedicated risk, operations, and compliance teams.
- **Plans in the \$25–100 billion range:** 25–75 investment staff.
- **Plans below \$5 billion:** typically a handful of investment officers relying heavily on their general consultant.
- **Plans below \$1 billion:** the consultant often has full or near-full discretion over manager selection.

Board Composition and Its Consequences

- Most plans have a Board of Trustees of 7–15 members — a mix of elected member reps, gubernatorial appointees, and ex-officio public officials.
- Boards weighted toward investment professionals tend to delegate more authority to staff. Boards weighted toward political appointees tend to retain direct control over manager selection — and produce more CIO turnover.
- CIO authority varies widely: at CalPERS and CalSTRS, the CIO can commit hundreds of millions per fund without IC pre-approval. At smaller, politically constrained plans, most manager hires require board ratification.

The Total Portfolio Approach Debate

- CalPERS has announced full TPA implementation for July 2026. CalSTRS is transitioning. Texas TRS CIO Jase Auby has publicly questioned it.
- TPA collapses asset-class silos and gives the CIO greater discretion, but also collapses the asset-class-specific decision structures that most managers have built their coverage models around.
- If TPA goes mainstream, it would require a fundamental rethink of how fund managers engage with their largest allocators.

The Consultant Landscape

Top Consultants by Client Volume

- Mariner Institutional leads by volume with ~95 plans, but those are almost entirely plans under \$5 billion.
- NEPC is the only firm in the top five across all three plan size tiers — from mega-allocators to the long tail.
- Meketa has the dominant position at the top: 12 of the 45 plans above \$50 billion use Meketa as general consultant.

TOP 5 GENERAL CONSULTANTS BY NUMBER OF US PENSION CLIENTS

CONSULTANT	# PLANS
Mariner Institutional	95
Meketa Investment Group	57
NEPC	57
Marquette Associates	37
Callan Associates	34

Source: Dakota Marketplace

TOP 5 CONSULTANTS BY PLAN SIZE TIER

\$50B+ CONSULTANT	PLANS	\$5–50B CONSULTANT	PLANS	UNDER \$5B CONSULTANT	PLANS
Meketa	12	NEPC	15	Mariner Institutional	95
NEPC	5	Meketa	13	NEPC	37
Callan	4	Callan	10	Marquette	34
RVK	3	RVK	10	Meketa	32
AON	3	AON	9	Dahab	30

Source: Dakota Marketplace

Practical Implications for Fund Managers

- At plans above \$50 billion, the general consultant is necessary but not sufficient. Larger plans layer in specialty consultants — Cambridge, StepStone, Aksia, Albourne — for specific asset classes.
- At plans below \$5 billion, the general consultant typically drives manager selection entirely.
- Consultant coverage strategy must be tier-specific. All of this data — general and specialty consultant relationships by plan — is available in Dakota Marketplace.

Asset Allocation Across The System

Average Allocations — 128 Plans

- Public equity remains dominant at 48% on average. Fixed income at 20%.
- Private credit sits at 4.8% on average — but 37% of plans in the sample hold zero private credit exposure, representing significant structural runway.
- Real assets at 11.6% is the most universally adopted alternative — only ~2% of plans hold no exposure.

AVERAGE ASSET ALLOCATION BY ASSET CLASS — 128 PLANS

ASSET CLASS	AVG. ALLOCATION (128 PLANS)
Public Equity	48.0%
Public Fixed Income	20.4%
Real Assets	11.6%
Private Equity	9.7%
Private Credit	4.8%
Other (HF, Commodities)	3.8%
Cash	1.7%

Source: Dakota Marketplace. 128 plans sampled.

Alternatives Exposure Scales with Plan Size

- The biggest jump occurs between plans under \$1 billion (20.1% avg. alternatives) and \$1–10 billion (27.6%) — the boundary where institutional-quality private markets programs begin.
- Above \$25 billion, alternatives exposure plateaus around 37%. Growth is not coming from the mega-allocators adding more — it's coming from the middle of the market building out first-generation programs.

ALTERNATIVES EXPOSURE BY PLAN AUM

PLAN AUM	AVG. ALTERNATIVES ALLOCATION
Under \$1B	20.1%
\$1–10B	27.6%
\$10–25B	34.5%
\$25–100B	36.8%
\$100B+	36.4%

Source: Dakota Marketplace. Alternatives = PE + Private Credit + Real Assets + Other

PERFORMANCE & THE ALTERNATIVES QUESTION

Return Characteristics — 100 Plans through Dec 31, 2025

- Average 10-year return of 8.6% — above the typical actuarial assumption range of 6.8–7.5%. The system is broadly meeting its targets.
- The 3-year average return is 11.4%, driven significantly by the strong public equity environment.

PERFORMANCE SAMPLE CHARACTERISTICS — 100 PLANS, RETURNS THROUGH DEC 31, 2025

METRIC	MEAN	MEDIAN	MIN	MAX
Alternatives Allocation	31.0%	30.2%	0.0%	67.2%
3-Year Return (ann.)	11.4%	11.5%	6.8%	14.8%
5-Year Return (ann.)	7.7%	7.6%	5.5%	12.0%
10-Year Return (ann.)	8.6%	8.7%	5.6%	10.7%

Source: Dakota Marketplace. Compiled from 100 individual plan investment reports.

Does More Alternatives Mean Better Returns?

- 3-year correlation: -0.43. More alternatives associated with lower returns — driven by the strong public equity run in 2023–2025. Statistically significant.
- 5-year correlation: +0.27. Including 2022’s drawdown, more alternatives associated with higher returns. Significant.
- 10-year correlation: +0.08. No meaningful relationship. Not statistically significant.
- When broken down by quintile, the 10-year return spread from the lowest to highest alternatives quintile is just 40 basis points: 8.4% vs. 8.8%.

CORRELATION: ALTERNATIVES ALLOCATION VS. RETURNS

RETURN PERIOD	CORRELATION	INTERPRETATION
3-Year (2023–2025)	-0.43	More alts associated with lower 3-yr return (highly significant)
5-Year (2021–2025)	+0.27	More alts associated with higher 5-yr return (significant)
10-Year (2016–2025)	+0.08	No meaningful relationship (not statistically significant)

Source: Dakota analysis, compiled from 100 individual plan investment reports.

The Right Frame for Alternatives

- Public pensions don’t optimize purely for return maximization. They optimize for meeting future benefit payments with high probability, maintaining funded status across market cycles, and reducing contribution volatility.
- The empirical case for alternatives is more accurately framed around risk reshaping and liability management than long-run alpha generation.

CIO LEADERSHIP MOVEMENT

A Permanent Feature of the System

- Dakota has tracked 26 CIO transitions since January 2025. Seven notable moves in the first four months of 2026 alone.
- The dominant trend: senior pension investment leaders leaving for private markets firms. Even CalPERS' \$2.4 million maximum CIO package is well below what private firms pay for comparable talent. That pay gap is not closing.

NOTABLE CIO MOVES — 2026 YEAR TO DATE

DATE	FUND	PERSON	MOVE	NOTES
Apr 2026	LACERS	Rodney June	Retired	Retiring in July after 13 years as CIO.
Mar 2026	NYC Comptroller / BAM	Monte Tarbox	Appointed	Elevated from interim (Jan 2026) to permanent.
Mar 2026	Federal Retirement Thrift	Mike Jerue	Appointed	Confirmed permanent CIO following McCaffrey's retirement.
Feb 2026	Federal Retirement Thrift	Sean McCaffrey	Retired	Retired after eight years at FRTIB.
Feb 2026	Wyoming State Treasurer	Karl Cheng	Appointed	Effective Feb 2, 2026.
Jan 2026	Texas Municipal	Tom Masthay	Appointed	Named CIO at TMRS following Yup Kim's departure.
Jan 2026	Maryland SRPS	Dianne Sandoval	Appointed	First female CIO of Maryland SRPS.

Source: Dakota Marketplace.

Building Relationships That Survive Transitions

- Relationships built around a single CIO will reset every few years. The smoothest transitions follow a pattern: promote from within, backfill the deputy role.
- Maryland SRPS is a 2026 example: Palmer retired, Burd stepped in as interim, Sandoval hired as permanent CIO, Burd stayed on as deputy.
- The relationships that survive are the ones that run deeper — to the deputy CIO, asset class heads, and senior portfolio managers. Build those before the transition, not after.

CONCLUSION

The universe is severely top-heavy: **24 plans hold 60% of all assets and nearly all deployable private markets capital.**

- Two decades of alternatives adoption have reshaped these portfolios — plans above \$25 billion now average 37% in alternatives.
- Private credit has the clearest structural runway: 37% of plans still hold zero exposure.
- The data on whether alternatives produce better returns is more nuanced than typically marketed — the case is stronger as a risk management and liability tool than a return enhancer.
- Meketa and NEPC dominate different parts of the consultant market. Coverage strategy must be tier-specific.
- CIO turnover is a permanent feature of the system. Relationships must run deeper than the CIO.
- All underlying data — allocations, consultant relationships, commitment activity, performance, CIO transitions — is available in Dakota Marketplace.

For more insights and to explore Dakota Marketplace, visit Dakota.com.

