



Retirement News Highlights  
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## Maryland pension system to build dedicated PE emerging managers program

*The system floated a plan to invest \$250m to emerging private equity managers over the next five years*

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Maryland State Retirement and Pension System outlined plans to add resources to its emerging managers program, including partnering with firms to establish a dedicated private equity-focused program.

The system, during its meeting on September 17, said that it would work to increase its “Terra Maria” programs exposure to private markets through a more structured effort, floating a plan to invest \$250 million to emerging private equity managers over the next five years.

The systems board noted that it’s emerging manager programs private market exposure has been “fragmented, “in comparison with public market exposure. The board noted that the majority of private equity commitments from Terra Maria have been staff directed into individual funds.

In an attempt to bring more structure to private equity investments, MSRPS’s board said it had made contact with firms interested in partnering to establish a dedicated private equity, emerging manager program using a multiples-of-money (MoM) structure.

Under the proposed mandate, the system and its partnered firm would invest \$250 million over the course of five years in emerging private equity funds. The system did not disclose the funds that it had opened discussions with.

The board proposed that the initiative could include funds in the venture capital, growth equity, small/mid-market buyouts, credit and natural resources and infrastructure spaces.

The board also noted that the partnership may include an in-state investment initiative that would focus on co-investments in Maryland companies.

The structure of the partnership would mirror similar investments that MSRP is engaged in. The system highlighted a \$200 million commitment to an emerging manager multiples-of-money structure to invest in lower mid-market and mid-market private infrastructure funds and co-investments that the board is finalizing.

Emerging managers already make up a sizable portion of MSRPS's private equity commitments. Since Tara Maria's launch in 2007, the system has made commitments totaling \$2.6 billion, spread across 32 GPs, to emerging managers in the private equity space, making up 12% of the funds total private equity commitments.

The private equity asset class makes up 32% of Terra Maria's \$5.06 billion in assets under management.

Despite the significant commitment, emerging managers have notably unformed other GPs in the private equity sector. The investment rate of return for emerging managers over the last 10 years was 10.88%, compared with a return of 14.1% for other managers in the asset class.

MSRP highlighted that only eight of the 32 emerging manager GPs That received commitments graduated into ongoing non-emerging commitments.

MSRP's board noted that the proposed program would hope to make a more focused effort on selecting emerging GPs with better returns and improve the efficiency of Tara Maria's private markets strategy.