

Bigger Paychecks Loom for Private Equity Pros in '16

By Tom Stabile November 25, 2015

Recruiters and fund managers are expecting a more lush pay landscape for private equity professionals this year and next, as the industry's stout fundraising totals and even healthier deal exit prices are making it easier – and more imperative – to reward staff with higher salary and bonus packages.

The pay raises should spread across the investment, investor relations, and operations teams at private equity shops, and the good times should continue rolling into 2016 at least, market watchers say.

Pay prospects for investor relations and fundraising professionals have stayed healthy, says **Sasha Jensen**, CEO of **Jensen Partners**, a recruiter based in London and New York.

“Across the board we’ve seen base salaries creeping up slowly but surely in 2015, and we’re expecting pay raises in 2016,” she says. “And those that have been producing excellent results should be getting their rewards from cash bonuses for individuals and teams, because retention is key right now.”

Investment and deal-making professionals are also likely to have fatter pay packages, says **Jonathan Goldstein**, a partner who heads the Americas private equity practice in New York at **Heidrick & Struggles**, a global recruiting firm.

“Bonuses are up this year somewhat dramatically over last year because, frankly, it’s a fantastic time to sell businesses, and they’re being sold at record deal multiples,” he says.

The sweeter pay plans are likely to feature both salary and bonus upgrades. At a firm-wide level, 76% of respondents to a Preqin survey of nearly 200 private equity fund managers say they expect to boost base salaries next year, while only 22% expect no change and a mere 2% will pare back on pay. That is even higher than the 74% of respondents reporting they hiked base salaries from 2014 to 2015.

Most respondents – nearly three in five – say their base pay in 2016 will rise up to 10% while professionals at an elite 10% of managers will see pay jump 11% to 20% – though that is down from the 14% of managers that hiked pay that much in 2015, according to Preqin. The average increase in salary for 2015 was 7%.

Managers have also beefed up bonuses, with nearly half of respondents saying they increased their level of performance-based cash payouts based on 2014 results, a jump over the 26% of firms that did so the year prior, Preqin data shows. Firms paid out a median bonus of 20% for 2014 results.

Pay data specific to investment teams collected for a recent Heidrick report shows more managers are rewarding these professionals with increased bonuses than with salary increases. Just more than half of respondents to the

survey – 52% – reported increasing base salary in 2015, but 71% of these managers had paid out a higher bonus at the end of 2014.

The trends appear likely to stay positive for private equity investor relations staff at least into 2016, driven largely by the desire to retain top staffers, Jensen says. One indicator of the fundraising market's strength is the \$362 billion that private equity fund managers had raised as of Sept. 30, putting the industry on track to match last year's \$552 billion, according to Preqin data.

Pay upgrades should also remain in store on the investment side as long as deal multiples stay high, Goldstein says.

That's not necessarily the case on the hedge fund side of the alts market, where some investment professionals may see lower bonuses this year, [as reported](#).

The good news on the private equity side also means that the rewards from a busy deals exit market should spread to a wider band of employees, as people in support and infrastructure positions are more often sharing in performance payouts than in the past, Goldstein says.

"That's been changing, where the carry payouts are not just going to the deals team anymore," he adds. "The CFO and COO and fundraising and business development roles, and certainly the operating partners, are all sharing more in the carry, or some carry-like mechanism. It puts everybody at the firm on the same side of the table."

Private equity managers also appear to still be active in their hiring efforts, with 57% of firms in Preqin's survey saying they added to headcount at their firms this year, while only 11% reported cutting back on staff.

Firms are making a huge push to grow their investment teams, Goldstein says. "We've seen an incredible spike – two times or more – in the number of assignments for recruiting investment professionals," he says. "This started in the final quarter of last year, almost to the date... It took off like a hockey stick."

Fund managers are also scouring the market for deal-sourcing specialists who are able to sniff out opportunities to buy companies – even ones that aren't on the block, Goldstein says. That requires a deep relationship base with investment bankers and company executives, and a different skill set than those who target deals already known to the marketplace, he says.

"There is a premium on finding those people who can generate deal flow," he says.

Top job candidates with strong experience are also increasingly getting two-year guaranteed deals, Jensen says. "There were very few two-year guarantees on offer last year," she says. "This year, there has been an inordinate amount."

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