

# Evolving Carried Interest Structures in Private Markets

We work closely with CHROs, heads of compensation, operating partners, and management on carry design across private equity, private credit, venture capital, infrastructure, real assets, and more.

## The Macro Shift Behind Evolving Designs

**Slower exits, more "paper carry"** Exit timelines have stretched; more assets are rolling into continuation vehicles or extended holds. Employees hold larger theoretical positions for longer, with fewer cash events.

**Broader eligibility expectations** Operating partners, value creation teams, business development, and key functional leaders increasingly expect meaningful participation in upside. HR must balance talent pressure with finite economics.

**Evergreen funds** Perpetual capital doesn't fit the classic closed-end fund model. Firms are experimenting with new carry mechanics and payout patterns.

**Rising complexity for HR** Carry plans are more bespoke and scrutinized by employees. Communication and administration are becoming more burdensome

## Carry Structures: Four Models With Distinct Trade-Offs

### MODEL 01

#### Silo

Fund-level or deal-by-deal carry. Sharp line of sight. Widely used in traditional closed-end funds.

*Direct linkages to performance. Limited to no connection with overall firm*

### MODEL 02

#### Basket

Carry pooled across all funds. Outcomes are diversified; individuals experience smoother, averaged results.

*Top performers feel they're subsidizing weaker teams. Harder to connect individual contribution to payout.*

### MODEL 03 · Growing

#### Hybrid

A basket layer for platform alignment overlaid with fund-level silos where individual alignment is prioritized.

*Most flexible; mix can be calibrated by level, function, or strategy*

### MODEL 04 · Emerging

#### Evergreen Funds

Perpetual capital vehicles — no defined fund life, no clean crystallization event.

*Evolving market, but challenges exist with NAV-based payouts and murky crystallization*

## Questions Firms are Grappling With

- How do you maintain carry as a retention tool when distributions have slowed or assets have rolled into continuation vehicles?
- How do you extend eligibility to operating and support functions without diluting economics for senior investment staff?
- When carry is stalled, what role should cash compensation play — and how does that change your overall compensation philosophy?
- How do you structure carry for evergreen strategies where there is no obvious crystallization moment?
- What is the impact of vesting and leaver provisions on employee's perception of carry value?
- How do you benchmark carry program competitiveness when eligibility, structure, and realization timing vary so widely across peers?

## Trends Across Our Client Base

- 01 Eligibility is expanding beyond investment staff** Operating partners, value creation teams, sales, and key functional leaders are increasingly in scope. How to balance inclusion and dilution
- 02 Evergreen structures are forcing a redesign** No clean realization event means the traditional structure doesn't work. Annual vs. defined point in time carry are the most common structures.
- 03 Cash comp is being asked to fill the gap** As carry realizations stall, firms are rethinking the cash/carry balance. The all-in economics question is more active than it's been in years.
- 04 Structuring offers during recruitment** Firms consider existing carry (vested vs. unvested, expected payouts) and competitive compensation packages during hiring.
- 05 Transparency pressure is building from below** Junior and mid-level talent expect dashboards and projected ranges. Firms that retain discretion manage more tension; firms that codify live with rigidity.

# About Johnson Associates

## Compensation Advisory for Private Markets

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Johnson Associates is a boutique advisory firm with a focused practice in alternative investments — private equity, private credit, venture capital, infrastructure, real assets, and more.

We work with hundreds of firms each year from boutique firms to large multi-strategy platforms. Engagements span carried interest design, total compensation benchmarking, incentive plan restructuring, program communication, equity / long-term design, and succession planning / governance.

Our benchmarks are drawn exclusively from the alternatives market. Peer comparisons are segmented by strategy type, AUM, and structure, rather than derived from broader financial services data where the information is too aggregated to be meaningful.

Our work is independent, data-driven, and built around the specific economics and talent dynamics of the alternatives industry.

## Our Work with Alternatives Firms

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**Carried Interest Design** Structure, eligibility, splits, vesting, leaver provisions, and governance — assessed against peer market and designed for the firm's specific strategy and stage.

**Compensation Benchmarking** Total compensation analysis across base, bonus, long-term, and carry — matched to role, function, strategy, and AUM. Data cuts by investment strategy and firm type available.

**Incentive Plan Redesign** End-to-end program design for firms navigating change — new strategies, evergreen or continuation vehicles, platform evolution, or competitive repositioning.

**Market Practices & Peer Review** Structured analysis of how peer carry and incentive programs are designed — used to pressure-test existing plans or inform new ones.

**Transition & Communication** Program transition planning and employee communication strategy — ensuring participants understand the rationale and perceive it as fair.

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