

Private Credit Questions Pension Trustees Should Be Asking Now

This is a resource for institutional investors, including pension trustees, seeking to better understand what recent turmoil in private credit could mean for their portfolios. Private credit refers broadly to privately negotiated loans originated by nonbank financial companies like private funds (often managed by big-name private equity firms) and other asset managers. These loans are made using capital raised from pension funds and other institutional investors who often participate in this market as limited partners, committing capital hoping to get extra returns over investments in public markets. But recent financial stress in the sector has underscored that these investments can also carry significant risks related to transparency, valuations, fees, and timely liquidity—all of which matter for investors, particularly for those that must regularly meet obligations to beneficiaries.

- A pension promise is a cash-flow obligation. Returns matter, but so does the ability to access cash when the fund needs it.
- Private credit investments may appear stable partly because they are not priced continuously like public assets. That can delay recognition of losses rather than eliminate risk.
- Limited transparency makes it harder for trustees to assess portfolio quality, leverage, covenant protections, sector concentrations, and refinancing risk.
- Liquidity mismatches matter. If private vehicles restrict withdrawals during periods of financial stress, the pension fund may have to meet benefit payments by selling more liquid assets at the wrong time.
- Gross returns can mask a lot. Trustees need to understand all layers of management fees, incentive fees, fund expenses, and any indirect charges that reduce net performance.

Recent concerning developments

Several large private credit funds have faced unusually high redemption requests (where investors seek to withdraw their money) and responded by limiting withdrawals, while banks, ratings agencies, and investors have shown increasing unease about how some private assets are valued and how quickly investors can actually get cash out when needed.

- **Redemption pressure and withdrawal limits at major private credit funds.** Blue Owl, Morgan Stanley, Cliffwater, Blackstone, KKR, Carlyle and more firms have recently faced elevated redemption requests or capped withdrawals.¹

¹ Fishlow, Olivia. "[Private Credit Exodus Forces Caps at Cliffwater, Morgan Stanley.](#)" *Bloomberg*. March 11, 2026; Seligson, Paula et. al. "[Private Credit's Gate-Crashers Are Forcing Funds Into a Brutal Spot.](#)" *Bloomberg*. March 8, 2026; Gara, Antoine and Peter Wells. "[Private credit stocks slide after Blue Owl halts redemptions at fund.](#)" *Financial Times*. February 19, 2026; Fishlow, Olivia. "[Private Credit Exodus Forces Caps at Cliffwater.](#)"

- **Growing scrutiny of private credit valuations.** Recent reporting has highlighted rising concern that private credit marks may not fully reflect current market conditions—leading to potential overvaluation, especially when assets are hard to trade and investors are unable to redeem at stated values.²
- **Banks are showing less confidence in stated private credit values.** JPMorgan, the largest bank in the world, reportedly marked down the value of some loan portfolios tied to private credit funds, suggesting that even major financial institutions are reassessing collateral values as conditions worsen.³
- **Ratings agencies are warning about broader sector stress.** Moody’s reportedly revised its outlook on U.S. business development companies to negative, citing redemption pressure, higher leverage, and weaker access to funding markets. It also revised its outlook on Blue Owl’s flagship fund to negative after a surge in withdrawal requests.⁴
- **Recent losses and write-downs have highlighted opacity and due-diligence risk.** Recent BlackRock private credit losses and write-downs show that even sophisticated investors can face abrupt valuation reversals, fraud risk, and limited visibility into underlying exposures.⁵
- **Fear of a software markdown.** Software stocks dropped nearly \$1 trillion in value in February 2026 amidst fears that automation by artificial intelligence companies might make some Software-as-a-Service companies obsolete.⁶ The fear is that private market software investments are overvalued and might expose investors to heavy losses if portfolios have significant exposures.

Questions to ask investment staff

The current run on private credit raises several questions for institutional investors. Can the fund get cash when it needs it? Are the reported values credible in a stressed market? Are trustees getting enough information to evaluate the underlying risks? Are net returns strong enough to justify the illiquidity, opacity, and fees? The following questions, when posed to investment staff, can help clarify the risks associated with private credit holdings.

Overall exposure to private credit

[Morgan Stanley.](#) *Bloomberg.* March 11, 2026; Brown, Silas. [“KKR Limits Redemptions From Asset-Based Fund After 7.2% Sought Withdrawals.”](#) *Bloomberg.* April 14, 2026.

² Weil, Jonathan. [“What’s a Private-Credit Fund Worth When the Money Is Locked Up?”](#) *The Wall Street Journal.* April 3, 2026; Sarin, Natasha. [“This Is Starting to Look Like a Slow-Motion Bank Run.”](#) *The New York Times.* April 6, 2026.

³ Shah, Jill R and Eric Platt. [“JPMorgan marking down loan portfolios of private credit groups.”](#) *Financial Times.* March 11, 2026.

⁴ Gillers, Heather. [“Moody’s Outlook for BDCs Falls to ‘Negative’.”](#) *The Wall Street Journal.* April 7, 2026; [Moody’s cuts Blue Owl fund’s outlook on surging redemption requests.”](#) *Reuters.* April 7, 2026.

⁵ Jack Pitcher, Jack and Juliet Chung. [“How Fake Invoices Duped BlackRock Unit Into a \\$400 Million Loan.”](#) *The Wall Street Journal.* Wirz, Matt. [“How a BlackRock Loss Reignited Worries About What Is Hiding in Private Credit.”](#) *The Wall Street Journal.* January 29, 2026.

⁶ Soni, Aditya. [Software companies fight back against fears that AI will kill them.](#) *Reuters.* March 12, 2026.

- What percentage of the pension fund's total assets is invested in private credit, and what is the total dollar amount of that exposure?
- Which private credit funds is the pension fund invested in, and who are the managers of those funds?
- What is our exposure to private credit in the software industry specifically?

Liquidity

- How much of the pension fund's private credit allocation can realistically be converted to cash within 30 days, 90 days, and quarterly?
- What redemption limits, lockup, or notice periods apply across our private credit vehicles?
- If distributions from private credit investments slow down, can the fund meet benefit payments without fire-selling other assets, potentially at discount or at suboptimal moments?
- Have staff run a liquidity stress test that assumes lower distributions from private credit?
- Have any private credit funds in which the pension fund is invested ever imposed redemption restrictions, withdrawal limits, or delayed distributions? If so, when?

Valuations

- How are our private credit holdings valued, and how often are those valuations updated?
- To what extent do valuations rely on which of the following: manager marks and models, comparable transactions, or observable market prices?
- Have staff analyzed whether reported values would hold up under forced-sale or stressed-market conditions?
- How likely is it that reported net asset value (NAV) differs from what the fund could actually realize?
- Have any of our private credit valuations been marked down since the recent market turmoil began? If so, by how much, and in which funds or strategies?
- What steps have staff taken to monitor and test the accuracy of valuations during this period of market stress?

Transparency and portfolio risk

- What loan-level information does the pension fund receive on underlying borrowers, sector exposures, leverage, covenant quality, nonaccruals, restructurings, and defaults?
- How concentrated is our exposure by manager, industry, borrower, and vintage?
- What is our exposure to sectors currently under pressure?
- How does the pension fund get enough information to independently evaluate risk or corroborate valuations? Is the pension fund relying mainly on manager summaries?

Fees and net returns

- What are total all-in fees and expenses, including management fees, incentive fees, fund expenses, monitoring fees, transaction fees, and any other indirect charges?

- How do those net returns compare with liquid public market alternatives on a risk-adjusted basis?
- Is the pension fund being paid enough for giving up liquidity and transparency?

Governance and downside planning

- What would make staff recommend slowing, pausing, or reducing the fund's private credit exposure?
- Have recent market developments changed staff's assessment of the risks?
- What lessons have investment staff drawn from recent redemption caps and valuation questions elsewhere in the market?