

Survey of State Retirement System Investments in Hedge Funds May 3, 2006

Endowments and foundations are experienced and large (as a percent of assets) investors in hedge funds. A few top performing corporation pension plans also owe their results partially to early investments in hedge funds. However, much of the current interest in hedge funds is coming from public funds, particularly the large state-wide retirement systems. Those responsible for making hedge fund allocation decisions are often interested in what others are doing as a way to test their own thinking so we conducted a hedge fund survey of approximately 120 state-wide retirement systems using financial reports of the systems themselves supplemented by other sources. A summary of the results is provided in Exhibit 1.

Exhibit 1: State Retirement System Investments in Hedge Funds

State Retirement System	Total Portfolio Assets (\$ millions)	Target Allocation to Hedge Funds	Current Allocation to Hedge Funds	Hedge Fund Investment (\$ millions)	Inception Date	# of Mgrs	Direct or Fund-of-Funds
Alaska PERS	\$8,587	3.0%	2.4%	\$210	Jun-05	3	HFOF
Alaska Permanent Fund	\$35,289	8.0%	1.7%	\$605	Jun-05	1	HFOF
Alaska Teachers	\$4,026	3.0%	2.4%	\$98	Jun-05	3	HFOF
California PERS	\$207,000	1.3%	1.9%	\$2,600	Jun-01	21	Direct & HFOF
Colorado Fire & Police	\$2,619	12.8%	12.8%	\$336	Jun-05	3	HFOF
Louisiana PERS	\$7,117	5.0%	4.8%	\$343	na	4	HFOF
Massachusetts PRIM	\$36,300	10.0%	5.0%	\$1,500	Jun-04	5	Direct & HFOF
State of Michigan	\$51,064	1.0%	0.9%	\$460	na	na	HFOF
Missouri MOSERS	\$6,500	10.0%	9.5%	\$616	Jan-03	6	Direct & HFOF
New Jersey PERS	\$63,021	4.0%	1.0%	\$0	Jan-06	7	Direct & HFOF
New Mexico PERA	\$9,384	5.0%	0.0%	\$0	Mar-06	0	Direct & HFOF
New Mexico Permanent Fund	\$8,702	10.0%	7.7%	\$1,000	Mar-05	13	HFOF
New York Common	\$128,000	na	0.4%	\$500	na	na	Direct
North Carolina PERS		5% w priv	<5%	na	na	na	HFOF
Oklahoma Police	\$1,441	22.9%	27.8%	\$401	na	4	Direct & HFOF
Pennsylvania ERS	\$28,800	22.2%	22.2%	\$6,400	Jun-03	9	Direct & HFOF
South Dakota RS	\$6,147	7.6%	7.6%	\$465	na	na	Direct
Texas CDRS	\$13,000	5.0%	4.0%	\$520	Jan-06	12	Direct
Texas TRS	\$93,328	1.5%	1.6%	\$1,500	Jan-05	24	Direct
Utah RS	\$16,937	10.0%	0.0%	\$0	Jan-06	na	Direct
Virginia RS	\$44,849	4.0%	3.7%	\$1,672	Jul-03	10	Direct & HFOF
	\$772,111 total	5.0% median	2.5% average	\$19,226 total			

There are 21 retirement systems that have investments currently in hedge funds, totaling close to \$20 billion. The largest investor is Pennsylvania ERS with over \$6.4 billion, or 22% of their assets, invested in hedge funds. There are six funds with hedge fund assets exceeding \$1 billion, and seven funds with *target* allocations to hedge funds of 10% or more. Retirement systems vary widely in their use of direct hedge funds and fund-of-funds. Eight systems use just fund-of-funds, five use only direct investments in hedge funds, and eight systems use a combination of fund-of-funds and direct hedge fund investments.

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