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HEDGE FUND INVESTMENTS IN CALIFORNIA

Across the state of California, hedge funds are helping people attain retirement security, young people get a quality education and communities benefit from important work done by non-profits and charities.

Institutional investors – like pensions and university foundations– use hedge funds to diversify their investment portfolios and manage risk. Ultimately, hedge funds are an important tool used by institutional investors to help meet their financial obligations.

Hedge funds are no longer exclusively used by wealthy investors. Globally, 65% of hedge fund assets come from institutional investors.¹



Hedge Funds Help Build Retirement Security

- **California Public Employees Retirement System (CalPERS)**
 - CalPERS manages retirement benefits for 1.6 million Californians.²
 - The plan covers state employees, school employees, and local public agency employees.
 - In 2012, CalPERS invested \$5.2 billion of its \$236.9 billion total assets in absolute return strategies, which include hedge funds.³
- **California State Teachers Retirement System (CalSTRS)**
 - CalSTRS is the nation's second largest public pension fund with assets totaling approximately \$161.4 billion as of January 31, 2013.⁴
 - CalSTRS has 603,319 members, paying \$10.2 billion annual benefits – providing retirees with an average monthly benefit of \$4,088.⁵
- **Los Angeles County Employees Retirement Association (LACERA)**
 - LACERA administers and manages a \$38.3 billion retirement fund for the County of Los Angeles. It is the largest county retirement system in the U.S., serving more than 156,000 members.⁶
 - According to its 2012 Financial Report, LACERA invested \$251.9 million of its \$41.2 billion total assets in hedge funds.⁷

- **Los Angeles Fire and Police Pensions (LAFPP)**
 - LAFPP has 13,432 active members and 12,392 retired members.⁸
 - In 2011, LAFPP invested \$575 million of its \$14.4 billion assets in hedge funds.⁹
- **San Diego County Employees Retirement Association (SDCERA)**
 - SDCERA administers a defined benefit plan that provides benefits for 16, 523 active, 5,125 deferred and 14,496 retired members.¹⁰
 - In 2011, SDCERA invested over \$700 million dollars (more than 8% of total assets) of the \$8.5 billion investment pool in various hedge funds to provide for pension and health benefits.¹¹
- **Sacramento County Employees Retirement System (SCERS)**
 - The Sacramento County Employees Retirement System has about 12,434 active members and nearly 8,821 retired members.¹²
 - In 2011, SCERS invested over \$298.1 million of its \$6.3 billion portfolio in hedge funds.¹³
- **Orange County Employees Retirement System (OCERS)**
 - Orange County's retirement plan is worth \$8.7 billion. The plan has more than 21,400 active members and more than 13,000 retired members.¹⁴
 - In 2011, OCERS has invested \$1.2 billion in alternative investments, which includes hedge funds.¹⁵
- **Alameda County Employees Retirement Association (ACERA)**
 - The Alameda County Employees Retirement Association has a \$5.1 billion pension plan. The plan has over 10,746 active members and 7,903 members receiving pensions.¹⁶
 - In 2011, the plan recently invested \$100 million in hedge funds, its first investment as part of its new Private Equity and Alternatives Return Lending Strategies policy.¹⁷
- **San Mateo County Employees Retirement Association (SamCERA)**
 - The nearly \$3 billion San Mateo County Employees' Retirement Association pension plan recently made its first investment in hedge funds in 2012. The fund allocated nearly \$69 million of its total portfolio to hedge fund investments.¹⁸
- **Fresno County Employees Retirement Association (FCERA)**
 - In 2012, the Fresno County Employees Retirement Association operates a \$3.5 billion pension plan with more than 14,000 members. The plan invested \$103 million in hedge funds, or 3.3%.^{19,20}
- **Boeing**
 - As of October 2012, Boeing had nearly 20,000 employees in California.²¹

- In 2012, Boeing invested \$2.5 billion in hedge funds, roughly 5% of the company's defined benefit plan, which totals \$50 billion.²²
- **Verizon Wireless**
 - Verizon has more than 17,000 employees in California.²³
 - As of December 31, 2011, Verizon invests more than \$2.3 billion in hedge funds, which comprises more than 9.5% of its \$24 billion pension plan.²⁴
- **Lockheed Martin**
 - Lockheed Martin employs about 7,520 workers in Sunnyvale.²⁵
 - As of December 31, 2012, Lockheed invested \$806 million of its \$32 billion in total pension plan assets in hedge funds.²⁶
- **Hewlett Packard (HP)**
 - HP's headquarters are in Palo Alto, and the company has more than 349,600 employees worldwide.²⁷
 - As of October 31, 2012, HP invested \$529 million in hedge funds for its non-U.S. defined benefit plan from its more than \$14 billion total investments.²⁸
- **General Electric (GE)**
 - GE has locations in San Diego, Los Angeles, Fremont, Fresno, Walnut and Lone.
 - As of December 31, 2012, the GE employee pension plan invested \$1.7 billion of its \$45 billion total investments in hedge funds.²⁹
- **International Business Machines (IBM)**
 - In 1956, IBM Research established its first West Coast laboratory in San Jose, helping to create what would eventually become Silicon Valley. In 1986, IBM Research - Almaden became home to a rapidly growing team of scientists and researchers and continues to thrive today.³⁰
 - In 2012, IBM invested \$1.85 billion of its \$51 billion total assets in hedge funds.³¹
- **Northrop Grumman**
 - Northrop Grumman's Aerospace Systems sector headquarters is located in Redondo Beach.³²
 - In 2011, Northrop invested \$1.4 billion, or 6%, of its \$22 billion retirement plan assets in hedge funds.³³
- **Weyerhaeuser**
 - Weyerhaeuser employs nearly 400 workers in California.³⁴
 - According to its 2012 Financial Report, Weyerhaeuser allocated \$2.7 billion, or 55.3%, of its more than \$5 billion total assets to its U.S. and Canadian retirement plans to various, multi-strategy hedge funds.³⁵

Hedge Funds Help Ensure Educational Opportunities

- **University of California System**
 - The University of California system has 10 campuses and a total membership of more than 184,000 members.³⁶
 - In 2012, the University of California system invested \$3 billion in absolute return products. The University's investments total more than \$42 billion.³⁷
- **University of California Los Angeles (UCLA)**
 - The UCLA Foundation uses its investments to recruit faculty members, provide resources for students, enable research projects, and provide care to patients in UCLA's hospitals and clinics.³⁸
 - In 2012, the UCLA Foundation invested \$395 million, or 21%, of its \$1.9 billion portfolio in absolute return investments.³⁹
- **University of California San Diego Foundation (UCSD)**
 - The UCSD Foundation helps fund construction of new academic buildings and major university initiatives, scholarships and endowed professorships.⁴⁰
 - As of June 2012, UCSD Foundation invested 25% of its total investment pool -- \$94 million in absolute return hedge funds.^{41 42}
- **Stanford University**
 - As of June 30, 2011, Stanford Management Company invested 18% of its \$16.5 billion in assets in absolute return strategies. The absolute return asset class returned 10.2% in fiscal year ending August 31, 2011.⁴³
- **Pepperdine University Endowment**
 - Pepperdine's endowment funds permanent resources for faculty chairs, scholarships, innovative programs for students, and upgrades to facilities and technology resources.⁴⁴
 - In 2012, Pepperdine invested \$75.45 million of its \$767 million investment pool toward absolute return investments.⁴⁵

Hedge Funds Help Improve the Quality of Life of California Residents

- **The David and Lucile Packard Foundation**
 - The Packard Foundation works "for social, cultural and environmental change" to "improve the lives of children, families and communities around the world." The Foundation funds grants for health, science and environmental projects.^{46 47}
 - In 2011, the Foundation managed assets worth over \$5.5 billion and invested over \$1.8 billion, or 33%, in marketable alternative investments, including hedge funds.⁴⁸

- **The James Irvine Foundation**
 - The James Irvine Foundation has funded more than \$1 billion in grants to over 3,500 nonprofit organizations across California, with focusing on educational opportunities for California youth, economic development projects, and career training initiatives for low-income students.⁴⁹
 - In 2011, the Irvine Foundation managed a \$1.6 billion portfolio and invested over \$313 million, or 20%, in absolute return hedge funds.⁵⁰

- **California Endowment**
 - The California Endowment is a statewide foundation that expands access to health care and promotes improvements in the health status of all Californians.⁵¹
 - In 2012, the Endowment invested over \$804 million in various hedge funds out of its \$3.37 billion investment portfolio.⁵²

- **The San Diego Foundation**
 - The San Diego Foundation has granted more than \$750 million to critical nonprofit organizations throughout the greater San Diego region, with eight community foundations established throughout San Diego County, including Oceanside.⁵³
 - In 2012 alone, the program provided \$2.72 million in scholarships to more than 600 students.⁵⁴
 - In 2012, the San Diego Foundation invests more than \$42 million in hedge funds out of \$562 million total assets.⁵⁵

*Data listed here is updated frequently and contains the most current information in public filings.

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² CALPERS, “Facts at a Glance,” January 2012, <http://www.calpers.ca.gov/eip-docs/about/facts/general.pdf>

³ CALPERS, “Comprehensive Financial Report,” June 30, 2012, pg. 104, <http://www.calpers.ca.gov/eip-docs/about/pubs/cafr-2012.pdf>.

⁴ CalSTRS, “Investments Overview,” <http://www.calstrs.com/investments-overview>.

⁵ CalSTRS, “Fast Facts,” 2010, <http://www.calstrs.com/About%20CalSTRS/fastfacts.aspx>

⁶ LACERA, “Comprehensive Annual Financial Report,” http://www.lacera.com/investments/Annual_Report/cafr-2012/docs/cafr-2012.pdf.

⁷ LACERA, “Comprehensive Annual Financial Report, Investment Section” pg. 23, http://www.lacera.com/investments/Annual_Report/cafr-2012/docs/cafr-2012.pdf.

⁸ Los Angeles Fire and Police Pensions, “Annual report 2011,” pg. 4,

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⁹ Los Angeles Fire and Police Pensions, “Annual report 2011,” pg. 20,

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¹⁰ SDCERA, “Facts at a Glance,” 2011, November 5, 2012, p. 3 http://www.sdcera.org/PDF/Facts_at_a_glance-2011.pdf

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