

MANAGED FUNDS ASSOCIATION

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HEDGE FUND INVESTMENTS

IN PENNSYLVANIA

Across the state of Pennsylvania, hedge funds are helping people attain retirement security and allowing young people to receive a quality education.

Institutional investors – like pensions and university endowments, and 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.ⁱ



Hedge Funds Help Build Retirement Security

Public School Employees' Retirement System (PSERS)

- More than 600,000 public school employees from 501 school districts in Pennsylvania are enrolled in PSERS, which manages more than \$53 billion in assets.¹
- As of June 2012, PSERS had already invested more than \$6 billion of its assets in absolute return strategies, including hedge funds.^{3 4}

Verizon

- Verizon employs over 12,000 workers in Pennsylvania and pays more than \$262 million annually to nearly 19,000 retirees in the state.⁵
- As of December 31, 2011, Verizon invests more than \$2.3 billion in hedge funds, which composes more than 9.5% of its \$24 billion pension plan.⁶

Boeing

- Boeing currently employs over 6,200 workers and has more than 6,000 retirees in Pennsylvania.⁷
- In 2012, Boeing invested \$2.5 billion in hedge funds, roughly 5% of the company's defined benefit plan, which totals \$50 billion.⁸

Lockheed Martin

- Lockheed Martin has locations in Archbald, Newtown, and King of Prussia, Pennsylvania. The Newtown location has more than 800 employees and the Archbald location employs over 400 workers.⁹
- As of December 31, 2012, Lockheed invested \$806 million of its \$32 billion in total pension plan assets in hedge funds.ⁱⁱ

United Parcel Service, Inc. (UPS)

- UPS has a Customer Center location in New Stanton, Pennsylvania that employs over 2,900 workers.¹¹
- As of December 31, 2012 UPS invested more than \$2.8 billion, or 11.1%, of its \$25 billion total assets in hedge funds.ⁱⁱⁱ

Allegheny Technologies, Inc. (ATI)

- Allegheny Technologies is a specialty metals producer headquartered in Pittsburgh, PA that employs more than 11,300 workers worldwide.¹³
- According to its most recent report, ATI invests nearly \$122 million of its \$2.23 billion total assets in hedge funds.¹⁴

Raytheon

- Raytheon has a location focused on Intelligence & Information Systems in State College, Pennsylvania.¹⁵
- The fair market value of Raytheon's hedge fund investments in 2011 was \$1.385 billion, or 9%, of its 14.9 billion assets.¹⁶

Tyson Foods

- Tyson Foods has a location New Holland, Pennsylvania.¹⁷
- According to its most recent financial report in 2012, Tyson's defined benefit plan allocated \$276 thousand of its nearly \$69 million total assets, to alternative investments, including hedge funds.^{iv}

Hedge Funds Help Ensure Educational Opportunities

University of Pennsylvania (UPenn)

- The majority of UPenn's \$6.8 billion endowment is pooled in the University's Associated Investments Fund (AIF). The fund invests 22.7% of its assets, or more than \$1.5 billion in absolute return strategies, which includes hedge funds.¹⁹
- The fund was created to join the various investment funds for scholarships, endowments,

professorships, and library and hospital funds.²⁰

Lehigh University

- Lehigh University had more than 4,700 undergraduates and 2,000 graduate students in 2012.²¹
- In 2012, Lehigh University invested nearly \$350 million of its \$1.38 billion total investments in hedge funds.²¹

Pennsylvania State University (Penn State)

- The Penn State endowment supports student aid, professorships and research initiatives.²¹
- In 2012, Penn State invested 9% of its \$1.86 billion endowment in hedge funds.²²

University of Pittsburgh (Pitt)

- The University of Pittsburgh's endowment funds scholarships, fellowships, professorships and university programs.²³
- In 2011, Pitt's more than \$2.6 billion endowment invests in hedge funds as part of its investment strategy. Their endowment report does not specify the amount invested in hedge funds.²⁴

Carnegie Mellon University

- The Carnegie Mellon University endowment provides steady financial support for students, faculty and university research and programs.²⁵
- In 2012, Carnegie Mellon invests 14% of its \$1.3 billion endowment in hedge funds, or more than \$162 million.²⁶

Drexel University

- Drexel's endowment funds student financial aid, campus improvements, faculty and their research.²⁷
- In 2012, Drexel invests \$85 million of its \$544 million endowment assets in alternative investments, which includes hedge funds.²⁸

Hedge Funds Improve the Quality of Life for Pennsylvania Residents

Pittsburgh Foundation

- The Pittsburgh Foundation is the largest community foundation in the country. The foundation funds grants in the areas of education, families and children, community development, the environment, health and special needs populations and other projects.³¹
- As of a 2011 report, the foundation invests 25% of its legacy fund assets in hedge funds.³² The Foundation's most recent annual report, from 2011, indicates the foundation's assets total over \$830 million.³³

The Heinz Endowments

- The Heinz Endowments mission is to help Pennsylvania thrive, economically, ecologically, educationally and culturally. The areas the endowment is focused on include philanthropy and the disciplines represented by our five grant-making programs: Arts & Culture; Children, Youth & Families; Community & Economic Development; Education; and Environment.³⁴
- As of June 30, 2011, the Heinz Endowments invested more than \$407 million of its \$1.34 billion in total investments, in absolute return investments.³⁵

¹ Pennsylvania Public School Employees Retirement System, "About PSERS," <http://www.psers.state.pa.us/about/about.htm>, http://www.psers.state.pa.us/content/publications/update/Update_2012.pdf.

³ PSERS, "PSERS' Investment Portfolio Asset Allocation as of June 30, 2012 (Unaudited)," [http://www.psers.state.pa.us/content/investments/program_details/overview/2012-06-30%20market%20value%20\(2\).pdf](http://www.psers.state.pa.us/content/investments/program_details/overview/2012-06-30%20market%20value%20(2).pdf).

⁴ PSERS, "Pennsylvania Public School Employees' Retirement System Investment Objectives and Guidelines Absolute Return Policy," [http://www.psers.state.pa.us/content/investments/guidelines/X2%20\(approved%202010-12-10\).pdf](http://www.psers.state.pa.us/content/investments/guidelines/X2%20(approved%202010-12-10).pdf).

⁵ Verizon, "About Verizon Pennsylvania," <http://www2.verizon.com/community/pa/about.html>

⁶ "Verizon Communications 2011 Annual Report," Verizon, March 16, 2011, p. 64 http://www22.verizon.com/investor/app_resources/interactiveannual/2011/downloads/11_vz_ar.pdf.

⁷ Boeing, "Improving the Quality of Life in Pennsylvania," http://www.boeing.com/aboutus/govt_ops/state_cards/card_PA.pdf.

⁸ "The Boeing Company Annual Report," Boeing, March 4, 2012, pg. 89, http://www.boeing.com/companyoffices/financial/finreports/annual/2012/annual_report.pdf.

⁹ Lockheed Martin, "Locations: Northeast," <http://www.lockheedmartinjobs.com/locations-northeast.asp#mtnj>.

¹⁰ Lockheed Martin Corporation 2011 Annual Report, February 24, 2012, under: "Fair Value of Plan Assets," <http://www.lockheedmartin.com/content/dam/lockheed/data/corporate/documents/2011-Annual-report.pdf>.

¹¹ America's Career InfoNet, "Top Employers: Pennsylvania," <http://www.acinet.org/oview6.asp?printer=&next=oview6&id=&nodeid=12&stfips=42&group=2>.

¹² "UPS 2011 Annual Report," UPS, March 11, 2011, [http://person.com/person/state/offices/UPS 2011 AR Final](http://person.com/person/state/offices/UPS%2011%20AR%20Final.pdf)

¹³ Allegheny Technologies, <http://www.alleghenytechnologies.com/>.

¹⁴ Allegheny Technologies, "Annual Report 2011," pg. 63, <http://ir.atimetals.com/phoenix.zhtml?c=98187&p=irol-reportsannual>

¹⁵ Raytheon, "State College, Pennsylvania," Jobs Locations, <http://jobs.raytheon.com/locations/state-college-pennsylvania>

¹⁶ Raytheon, "Raytheon 2011 Annual Report," Notes to Consolidated Financial Statements, pg. 113, <http://investor.raytheon.com/phoenix.zhtml?c=84193&p=irol-reportsannual>.

¹⁷ Tyson Foods, "Locations List," Pennsylvania, <http://www.tysonfoods.com/About-Tyson/Locations/List-Page.aspx>.

¹⁸ "Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934." Tyson Foods, November 22, 2010, p. 71, <http://tyson.com/phoenix.zhtml?c=646&p=irol-reportsannual>

¹⁹ "Penn Financial Report 2012" finance.upenn.edu, pp. 30, <http://digital.turn-page.com/i/103836>.

²⁰ William Richard Gordon, "The Associated Investment Fund: A History of a Pennsylvania 'First,'" May 11, 1982, http://www.upenn.edu/almanac/issues/past/pdf_files/AIF.pdf

²¹ Lehigh University, "Who we are," <http://www4.lehigh.edu/about/default.aspx>.

²¹ Lehigh University, "Lehigh University Consolidated Financial Statements for June 30, 2012," pp. 11, http://www.lehigh.edu/~inctr/docs/2012_Audited_Financial_Statements.pdf.

²¹ Penn State Live, "Trustees hear report on Penn State's endowment for 2012," September 14, 2012, <http://live.psu.edu/story/61296>.

²² Pennsylvania State University Office of Investment, "Endowment & Similar Funds Investment Review for Fiscal 2012," pg. 7, <http://www.psu.edu/life/office/investment/2012-endowment-report.pdf>

²³ University of Pittsburgh, "2011 Annual Report: Pitt Giving," <http://www.giveto.pitt.edu/about/annualreport/documents/PUBLICVERSIONIAFY2011annualreportusethis.pdf>.

²⁴ University of Pittsburgh, "Endowed Fund Reports," Endowment Overview, <http://www.giveto.pitt.edu/donor/reports.asp>.

²⁵ Carnegie Mellon University, "Consolidated Financial Statements June 30, 2012 and 2011," pg. 9, http://www.cmu.edu/finance/reporting-and-incoming-funds/financial-reporting/files/2012_annual_report.pdf.

²⁶ Carnegie Mellon University, "Consolidated Financial Statements June 30, 2012 and 2011," pg. 30, http://www.cmu.edu/finance/reporting-and-incoming-funds/financial-reporting/files/2012_annual_report.pdf.

²⁷ Drexel University, "Consolidated Statements of Financial Positions as of June 30, 2012 and 2011," <http://www.drexel.edu/depts/compt/12financial-drexel.pdf>.

²⁸ Drexel University, "Consolidated Statements of Financial Positions as of June 30, 2012 and 2011," pp. 14 <http://www.drexel.edu/depts/compt/12financial-drexel.pdf>.

³¹ The Pittsburgh Foundation, "Annual Report 2011," Summary of Grants, pg. 22, http://pittsburghfoundation.org/sites/default/files/2011Pittsburgh%20Fdn%20Annual%20Report_0.pdf.

³² The Pittsburgh Foundation, "Performance Data," http://pittsburghfoundation.org/legacy_fund.

³³ The Pittsburgh Foundation, "Annual Report 2011," pg. 41, http://pittsburghfoundation.org/sites/default/files/2011Pittsburgh%20Fdn%20Annual%20Report_0.pdf.

³⁴ The Heinz Endowment, "About Us," http://www.heinz.org/about_mission.aspx.

³⁵ "The Heinz Endowment and Subsidiary Audited Consolidated Financial Statements Year Ended June 30, 2011 and 2010," pp. 8, <http://www.heinz.org/UserFiles/File/Financials/THE2011Statement.pdf>.

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

ⁱ "Prequin Special Report: Hedge Funds" pp. 16, October 2012,

http://www.prequin.com/docs/reports/Prequin_Special_Report_Hedge_Funds_October_2012.pdf.

ⁱⁱ Lockheed Martin Corporation 2012 Annual Report, December 31, 2012, under: "Fair Value of Plan Assets," p. 78, <http://www.lockheedmartin.com/content/dam/lockheed/data/corporate/documents/2012-Annual-report.pdf>.

ⁱⁱⁱ "UPS 2012 Annual Report," UPS, March 11, 2012, pp. 72, <http://thomson.mobular.net/thomson/7/3275/4724/>.

^{iv} "Tyson's Annual Report 2012," pp. 66, <http://ir.tyson.com/phoenix.zhtml?c=65476&p=irol-reportsAnnual>.