

# MANAGED FUNDS ASSOCIATION

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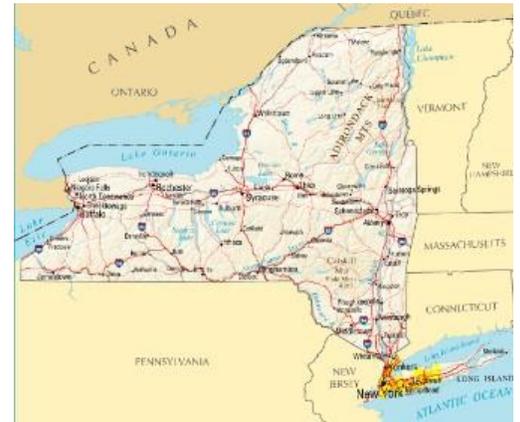
## HEDGE FUND INVESTMENTS

### IN NEW YORK

Across the state of New York, hedge funds help provide retirement security, expand access to higher-education, and improve the quality of life in local communities.

Institutional investors – like public and corporate pensions, university endowments and philanthropic 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.<sup>1</sup>



## Hedge Funds Help Build Retirement Security

### New York State and Local Retirement System (Common Fund)

- More than 3,040 state and local government employers participate in the pension plan system.
- The system has more than one million members, retirees and beneficiaries.
- In 2012, the fund had an estimated value of \$153 billion and was the third largest pension plan in the United States.
- The plan paid \$8.86 billion in benefits in fiscal year 2011-12.<sup>2</sup>
- In 2012, the \$151 billion NYS Common Fund invested \$5.1 billion in absolute return strategies (including hedge funds).<sup>3</sup>

### New York City Retirement Systems (NYCRS)

- NYCRS is comprised of:
  - New York City Employees' Retirement System;
  - the Teachers' Retirement System of the City of New York;
  - the New York City Police Pension Fund;
  - New York City Fire Department Pension Fund;
  - and the New York City Board of Education Retirement System.
- In 2012 NYCRS invested \$1.6 billion of its \$122 billion total assets in hedge funds.<sup>4</sup>

- NYCERS recorded a 23% return on investment in the fiscal year ending June 30, 2011– the highest in 26 years. Comptroller John C. Liu credited portfolio diversification for the improved performance.<sup>5</sup>
- Lawrence Schloss, the Deputy New York City Comptroller for Pensions and Chief Investment Officer for the city’s pension systems recently indicated that the funds would consider increasing investments in hedge funds during the current fiscal year.<sup>6</sup>

#### **JP Morgan Chase & Co.**

- JPMC is the largest company (by revenue) headquartered in New York, with \$115.9 billion in revenue over the past year.
- JPMC employs more than 5,000 people in New York.
- According to its 2011 financial report, JPMC allocated \$1.97 billion, or 18.4%, to hedge funds from its \$10.67 billion pension plan to hedge funds.<sup>7</sup>

#### **Verizon**

- Verizon Communications, Inc. earned \$107.4 billion in revenue over the last year, making it the second largest company based in New York by revenue.
- As of December 31, 2011, Verizon invested nearly \$2.3 billion in hedge funds, which comprises more than 9.5% of its \$24 billion pension plan.<sup>8</sup>

#### **International Business Machines (IBM)**

- With \$104.6 billion in revenue over the past 12 months, IBM is the third largest company headquartered in New York by revenue, employing more than 8,000 workers throughout the state.
- In 2012, IBM invested \$1.85 billion of its \$51 billion total assets in hedge funds.<sup>9</sup>

#### **Citigroup**

- CitiGroup earned \$104.1 billion in revenue over the past year, making it the fourth largest company based in New York by revenue.
- As of December 31, 2012, Citigroup invested \$2.6 billion, or 20%, of its \$12.7 billion total assets, in hedge funds.<sup>10</sup>

#### **American International Group Insurance (AIG)**

- AIG employs 5,000 workers in New York.<sup>11</sup>
- AIG earned \$75.1 billion in revenue last year, making it the fifth largest company based in New York by revenue.
- In 2011, AIG invested \$345 million, or 10%, of its \$3.4 billion pension plan assets in hedge funds.<sup>12</sup>

### **PepsiCo**

- Pepsi is the seventh largest company headquartered in New York by revenue with \$62.4 billion earned over the past year.
- In 2011, Pepsi invested \$52 million of its \$2 billion total assets in currency commingled funds, which includes hedge funds.<sup>13</sup>

### **Met Life**

- Met Life is headquartered in New York, and earned \$58.3 billion in revenue over the past year, making it the eighth largest company in the state by revenue.
- In 2011, MetLife invested \$1.1 billion of its \$23.6 billion total assets in hedge funds in 2011.<sup>14</sup>

### **General Electric Energy (GE)**

- GE Energy employs nearly 5,000 workers in the Schenectady area.<sup>15</sup>
- As of December 31, 2012, the GE employee pension plan invested \$1.7 billion of its \$45 billion total investments in hedge funds.<sup>16</sup>

## **Hedge Funds Help Ensure Educational Opportunities**

### **State University of New York (SUNY System)**

- SUNY invests more than \$230 million in hedge funds. The University's investments consist of the Research Foundation, the Construction Fund, the auxiliary services corporations, and certain State University campuses.<sup>17</sup>
- The Research Foundation of SUNY, which works with the academic and business leadership of SUNY campuses to support research and discovery. In 2012, they invested \$222 million, or 22%, of its \$1 billion total investments in hedge funds.<sup>18</sup>

### **Columbia University**

- The total value of Columbia University's endowment as of June 30, 2012 was \$7.65 billion.<sup>19</sup>
- In 2012, Columbia invested \$2.25 billion, or about 30%, of its \$7.6 billion total assets in absolute return strategies.<sup>20</sup>

### **New York University**

- The NYU Investment Pool's endowed assets fund scholarships, faculty salaries, research programs, books and building improvements.<sup>21</sup>
- In 2011, NYU invested \$784 million, or 27%, of its \$2.9 billion total assets in absolute return strategies.<sup>22</sup>

### **St. John's University**

- According to Thomas Nedell, Vice President of Business Affairs and Treasurer of the University, these funds "are used to support endowed scholarships, which provide academic and need-

based aid, and professorships that attract talented and highly qualified faculty. Earnings also contribute to operations and allow St. John's to continue to support its Mission and Vision."<sup>23</sup>

- In 2012, St. John's University's \$259 million endowment invests more than \$69 million, or 26% of its endowment, in hedge funds.<sup>24</sup>

#### **Cornell University Endowment**

- Cornell's endowment funds about 11% of the university's \$6.6 billion budget, scholarships and professors, new library collections, or athletics programs.<sup>25</sup>
- In 2012, Cornell invested more than \$728 million, or 12%, of its \$5.9 billion endowment in marketable alternatives, which include hedge funds.<sup>26</sup>

## **Hedge Funds Help Improve the Quality of Life for New York Residents**

#### **The Atlantic Philanthropies**

- The Atlantic Philanthropies funds grants in several areas: aging, children, health and human rights. The foundation has granted more than \$5.4 billion total and approximately \$375 million annually. It is the second largest giving foundation in New York.<sup>27</sup>
- In 2011, The Atlantic Philanthropies invested nearly \$1.4 billion, or 60%, of its \$2.3 billion total assets in hedge funds.<sup>28</sup>

#### **Juvenile Diabetes Research Foundation International (JDRF)**

- JDRF International is headquartered in New York City. The Foundation funds research and development toward delivering better care, and ultimately a cure, for Type 1 Diabetes.
- It is the largest funder and advocate for Type 1 Diabetes research worldwide. Over the years, the amount of research that JDRF funds annually has exploded from a few hundred thousand dollars in those early years to more than an estimated \$110 million in 2012.
- In 2012, JDRF invested \$38 million, or about 30%, of its \$130 million total investments in hedge funds.<sup>29</sup>

#### **New York Community Trust**

- The New York Community Trust funds grants for children and families; community development and the environment; education and the arts; and health and special needs.<sup>30</sup>
- In 2011, The Trust invested \$128 million, or 7%, of its more than \$1.8 billion total assets in hedge funds.<sup>31</sup>

#### **The Carnegie Corporation of New York**

- The Carnegie Corporation makes grants to promote international peace and to advance education and knowledge - primary concerns to which founder Andrew Carnegie devoted the foundation.
- In 2011, The foundation invested more than \$591 million, or about 24%, of its \$2.5 billion total assets in absolute return funds, including hedge funds.<sup>32</sup>

### Teach For All (Teach for America)

- Based in New York, Teach For All is a “global network of national organizations working to expand educational opportunities in their nations through enlisting their nation’s most promising future leaders in their effort.”<sup>33</sup>
- Teach For America is the organization charged with building a national corps of talented college graduates to expand educational opportunities for under-resourced urban and rural schools across the nation.<sup>34</sup>
- As of September 30, 2011, Teach for All and Teach for America invested \$64 million, or 54%, of its \$117.5 million total investments in limited partnerships, which includes hedge funds.<sup>35</sup>

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

<sup>1</sup> “Prequin Special Report: Hedge Funds” pp. 16, October 2012,

[http://www.pregin.com/docs/reports/Prequin\\_Special\\_Report\\_Hedge\\_Funds\\_October\\_2012.pdf](http://www.pregin.com/docs/reports/Prequin_Special_Report_Hedge_Funds_October_2012.pdf).

<sup>2</sup> “Office of the New York State Comptroller - Thomas P. DiNapoli - Common Retirement Fund Overview,” Office of the New York State Comptroller, <http://www.osc.state.ny.us/pension/snapshot.htm>.

<sup>3</sup> New York State and Local Retirement, “2012 Comprehensive Annual Financial Report For Fiscal Year For Fiscal Year Ended March 31, 2012,” 2012, pg. 71,

[http://www.osc.state.ny.us/retire/word\\_and\\_pdf\\_documents/publications/cafr/cafr\\_12.pdf](http://www.osc.state.ny.us/retire/word_and_pdf_documents/publications/cafr/cafr_12.pdf).

<sup>4</sup> “NYCRS Consolidated Annual Financial Report 2012,” p. XX, <http://www.comptroller.nyc.gov/bureaus/acc/cafr-pdf/CAFR2012.pdf>.

<sup>5</sup> Robert Steyer, “Big Apple Pensions’ Return Highest in 26 Years,” Pensions & Investments, September 26, 2011, accessed November 28, 2011, <http://www.pionline.com/article/20110926/DAILYREG/110929919/>.

<sup>6</sup> Ameet Magan, “State Pension: 26 Year High For New York City Pensions,” UK Pension Calculator and Annuity Calculator, March 10, 2011, <http://www.pensioncalculator.org/9713/news/state-pension-26-year-high-for-new-york-city-pensions/>.

<sup>7</sup> JP Morgan Chase & Co., “2011 Annual Report,” pg. 219,

[http://files.shareholder.com/downloads/ONE/2171961503x0x556139/75b4bd59-02e7-4495-a84c-06e0b19d6990/JPMC\\_2011\\_annual\\_report\\_complete.pdf](http://files.shareholder.com/downloads/ONE/2171961503x0x556139/75b4bd59-02e7-4495-a84c-06e0b19d6990/JPMC_2011_annual_report_complete.pdf).

<sup>8</sup> Verizon Communications, “2011 Annual Report,” pg. 66,

[http://www22.verizon.com/idc/groups/public/documents/adacct/annual\\_2010.pdf](http://www22.verizon.com/idc/groups/public/documents/adacct/annual_2010.pdf).

<sup>9</sup> “2012 Annual Report,” IBM, December 31, 2012, p. 129,

[http://www.ibm.com/annualreport/2012/bin/assets/2012\\_ibm\\_annual.pdf](http://www.ibm.com/annualreport/2012/bin/assets/2012_ibm_annual.pdf).

<sup>10</sup> Citi Group, “Citi 2012 Annual Report,” p. 177,

[http://www.citigroup.com/citi/investor/quarterly/2013/ar12c\\_en.pdf?ieNocache=730](http://www.citigroup.com/citi/investor/quarterly/2013/ar12c_en.pdf?ieNocache=730).

<sup>11</sup> America’s Career InfoNet, “State Profile: Largest Employers in New York,” 2011,

<http://www.acinet.org/oview6.asp?printer=&next=oview6&id=11&nodeid=12&stfips=36&group=2>.

<sup>12</sup> American International Group, Inc., “AIG Form 10-K Report” pg. 351,

[http://www.aig.com/Chartis/internet/US/en/2011-10k\\_tcm3171-440894.pdf](http://www.aig.com/Chartis/internet/US/en/2011-10k_tcm3171-440894.pdf).

<sup>13</sup> PepsiCo, “PepsiCo 2011 Annual Report,” pg. 72,

[http://www.pepsico.com/annual11/downloads/PEP\\_AR11\\_2011\\_Annual\\_Report.pdf](http://www.pepsico.com/annual11/downloads/PEP_AR11_2011_Annual_Report.pdf).

<sup>14</sup> “2011 Annual Report,” MetLife, pp. 135, <http://investor.metlife.com/phoenix.zhtml?c=121171&p=irol-reportsannual>.

<sup>15</sup> America’s Career InfoNet, “State Profile: Largest Employers in New York,” 2011,

<http://www.acinet.org/oview6.asp?printer=&next=oview6&id=11&nodeid=12&stfips=36&group=2>.

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- <sup>16</sup> "GE 2012 Annual Report," General Electric, December 31, 2012, pg. 104, [http://www.ge.com/ar2012/pdf/GE\\_AR12.pdf](http://www.ge.com/ar2012/pdf/GE_AR12.pdf).
- <sup>17</sup> State University of New York, "SUNY 2010 Annual Financial Report," pg. 23, <http://www.suny.edu/sunynews/Annual%20Financial%20Report%2011.pdf>.
- <sup>18</sup> The Research Foundation for the State University of New York, "2012 Annual Report," pg. 18, [http://www.suny.edu/sunynews/2012\\_AnnualFinancialReport.pdf](http://www.suny.edu/sunynews/2012_AnnualFinancialReport.pdf).
- <sup>19</sup> "Endowment Investments Earn 2.3 Percent Return in 2012, Capping Decade of Above-Market Growth," October 15, 2012, <http://news.columbia.edu/oncampus/2917>.
- <sup>20</sup> The Trustees of Columbia University in the City of New York, "Consolidated Financial Statements," pg. 15, <http://finance.columbia.edu/files/gateway/content/reports/financials2012.pdf>
- <sup>21</sup> NYU, "Consolidated Financial Statements," pg. 38, [http://www.nyu.edu/financial.services/cdv/pdf/CFS\\_2011.pdf](http://www.nyu.edu/financial.services/cdv/pdf/CFS_2011.pdf).
- <sup>22</sup> NYU, "Consolidated Financial Statements," pg. 14, [http://www.nyu.edu/financial.services/cdv/pdf/CFS\\_2011.pdf](http://www.nyu.edu/financial.services/cdv/pdf/CFS_2011.pdf).
- <sup>23</sup> St. John's University Press Release, "St. John's Endowment Investments Outperform Those of a Majority of Higher Education Institutions," June 25, 2007, [http://www.stjohns.edu/academics/pr\\_aca\\_070625b.news\\_item@digest.stjohns.edu/academics/pr\\_aca\\_070625b.xml?context\\_date=11/29/2011](http://www.stjohns.edu/academics/pr_aca_070625b.news_item@digest.stjohns.edu/academics/pr_aca_070625b.xml?context_date=11/29/2011).
- <sup>24</sup> St. John's University, "St. John's University Financial Statements," 2012, pg. 19, <http://www.dacbond.com/dacContent/doc.jsp?id=0900bbc780108f7e>
- <sup>25</sup> Cornell University, "Endowment Frequently Asked Questions," 2009, [http://www.campaign.cornell.edu/pdf/EndowmentFAQ\\_06-09.pdf](http://www.campaign.cornell.edu/pdf/EndowmentFAQ_06-09.pdf).
- <sup>26</sup> Cornell University, "2011-2012 Financial Report," 2011, pg. 20, <http://www.dfa.cornell.edu/cms/accounting/reporting/annualstatements/upload/cufinancialrept1112.pdf>.
- <sup>27</sup> The Atlantic Philanthropies, "About Atlantic," section goes here, accessed November 28, 2011, <http://www.atlanticphilanthropies.org/about-atlantic>.
- <sup>28</sup> The Atlantic Philanthropies, "Combined Financial Statements," pg. 12, [http://www.atlanticphilanthropies.org/sites/all/modules/filemanager/files/2011\\_2010\\_AP\\_CombinedFinalcialspdf](http://www.atlanticphilanthropies.org/sites/all/modules/filemanager/files/2011_2010_AP_CombinedFinalcialspdf).
- <sup>29</sup> Juvenile Diabetes Research Foundation, "JDRF Financial Statements," 2012, pg. 9, [http://jdrf.org/wp-content/uploads/2012/11/FY\\_12\\_Audited\\_Financial\\_Statements.pdf](http://jdrf.org/wp-content/uploads/2012/11/FY_12_Audited_Financial_Statements.pdf).
- <sup>30</sup> The New York Community Trust, "Grants at Work," <http://www.nycommunitytrust.org/AboutTheTrust/GrantsatWork/tabid/608/Default.aspx>.
- <sup>31</sup> The New York Community Trust, "NYCT Annual Report 2011," pg. 5, [http://www.nycommunitytrust.org/Portals/0/Uploads/Documents/AR2011\\_Financials.pdf](http://www.nycommunitytrust.org/Portals/0/Uploads/Documents/AR2011_Financials.pdf).
- <sup>32</sup> Carnegie Corporation of New York, "Annual Report 2011," pg. 57, [http://carnegie.org/fileadmin/Media/Publications/annual\\_report\\_2011.pdf](http://carnegie.org/fileadmin/Media/Publications/annual_report_2011.pdf).
- <sup>33</sup> "Consolidated Financial Statements," Teach For America, March 24, 2012, pg. 14, <http://www.teachforamerica.org/sites/default/files/FY2011AuditedFinancialStatements.pdf>.
- <sup>34</sup> "Consolidated Financial Statements," Teach For America, March 24, 2012, pg. 14, <http://www.teachforamerica.org/sites/default/files/FY2011AuditedFinancialStatements.pdf>.
- <sup>35</sup> "Consolidated Financial Statements," Teach For America, March 24, 2012, pg. 14, <http://www.teachforamerica.org/sites/default/files/FY2011AuditedFinancialStatements.pdf>.