

## Pennsylvania Public School Employees Retirement System

Type:

Public D.B.

Total Assets (millions):

USD 50000

Fund Report:

22 June 2011The \$50 billion Pennsylvania Public School Employees Retirement System (PSERS) has sent funding to Nephila Capital's Palmetto Fund as the first step in expanding its absolute return portfolio. It has also taken a step back from a planned consolidation of its domestic and fixed-income portfolios, added one private equity manager, and re-committed to five existing managers in real estate and private equity. PSERS has decided to send between \$100 million and \$200 million to Nephila, which invests in insurance-linked securities, because its strategy is not correlated with broader financial markets, according to a memo from James Grossman, PSERS' managing director of external public markets. Also, Nephila is based in Bermuda, the largest property catastrophe reinsurance market in the world, which gives it a geographical advantage over other insurance-focused hedge fund managers. PSERS decided in March to devote an additional \$1 billion to absolute return as part of its annual allocation review, leaving room for five to nine additional hires, according to iSEARCHES sister publication Money Management Letter. Grossman also sent a memo recommending that the fund reverse changes to its fixed-income portfolio that were determined in March. The board had decided to consolidate the fund's three geographically-separated buckets into one global allocation benchmarked to the Barclays Capital Global Aggregate GDP Weighted Index because of greater global focus from investors. But the new benchmark actually left the fund with investment targets below its desired level of U.S. fixed-income investment, Grossman wrote. The fund's general consultant, Wilshire Associates, will work with staff to review the fixed-income structure and return with a new recommendation in August. PSERS also brought on private equity manager Orchid Asia with a \$50 million investment, and decided to make follow-on commitments to five existing managers, according to memos from Charles Spiller, managing director of private markets and real estate. It sent \$600 million to current real estate managers for their newest North America-focused funds--half of that went to Blackstone Group, \$200 million went to Carlyle Group, and the remainder went to DRA Advisors for a value-added fund. In private equity, it made follow-on commitments of \$70 million to Milestone Partners IV, and \$100 million to Capital International Private Equity Fund VI.