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Pension Funds: Diversity Rocks.

Two pension funds this week announced they were diversifying — albeit in quite different ways. The Oregon Investment Council this week announced it is taking steps to [reduce the reliance of the state's biggest pension fund on the stock market](#). It will invest \$900 million in so-called alternative investments including timber and infrastructure, which are industries that are somewhat detached from the nation's economic swings. More than half of the money is going into a private equity fund called KKR Americas Fund XII L.P. The Oregon Public Employees Retirement Fund has invested in funds managed by Kohlberg Kravis Roberts & Co. since 1981 and over that time they have generated average annual profits of 18 percent for Oregon.

Meanwhile in Texas, the \$3 billion Dallas Employees' Retirement Fund announced it wants more ethnic and gender diversity among its fund managers because such diversity typically drives up returns on investments. According to Asset International, nearly 90 percent of senior money managers in the U.S. are white and most of them are men, however. Meanwhile, small or new investment firms tend to include more minorities and women. The Dalles fund said this week it will now allocate 10 percent of its portfolio to new investment managers with strong performance records. It is already on its way to achieving that goal and the fund is now launching its [Next Generation Manager program](#) to generate interest more among women and minorities who may not have considered such careers and who otherwise wouldn't get access to major investment opportunities.

Dallas isn't the only pension fund seeking a tryout period with smaller fund managers in an effort to increase diversity — [CalPERS also has an emerging managers program](#) where it seeks out well-performing managers from small firms to handle a small — \$20 million, for example — initial investment. If the manager performs well, the pension fund is likely to extend the relationship.

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