

Massachusetts Pension to Seek Passive Strategies for Restructured Fixed Income Portfolio

By Katie Cerulle | Published 07/11/24 | Timetable 2024

INVESTOR

Massachusetts Water Resources Authority (MWRA) Employees' Retirement System

Fund Size (m) USD 691.34 / GBP 536.44 / EUR 637.85
(As of 06/30/2024)

Country USA

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SUMMARY OF INVESTMENTS

Breakdown

Actual allocation as of 05/31/2024: 13.98% Private Equity, 9.15% Real Estate Unspecified, 5.33% Hedge Funds, 32.7% US Equities, 11.47% International Equities, 6.04% Emerging Markets, 19.92% Fixed Income Unspecified, 1.41% Cash. Target allocation as of 05/31/2024: 15% Private Equity, 10.00% Real Estate Unspecified, 5.00% Hedge Funds, 29.00% US Equities, 8.00% International Equities, 5.00% Emerging Markets, 18.00% Fixed Income Unspecified, 2.00% Cash, 8% Undisclosed.

INVESTMENT CONSULTANT

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MANAGER ROSTER

Baillie Gifford & Co. (International Equities); Schroder Investment Management (International Equities); HarbourVest Partners (Private Equity, Co-Investment); Hamilton Lane (Private Equity, Secondary Fund); Loomis Sayles & Co (US Equities, Multi-Sector); Corbin Capital Partners (Hedge Funds); Alcentra (Private Debt); Cerberus Capital Management (Property); Axiom Investment Management (Emerging Markets); Mesirow Financial (US Equities); CarVal Investors (Private Debt); Constitution Capital Partners (Private Equity, Co-Investment); Park Square Capital (Private Equity); Ascent Venture Partners (Private Equity); RhumbLine Advisers (International Equities, US Equities); Kayne Anderson Capital Advisors, L.P. (MLP/Energy); Landmark Partners (Property, Private Equity); Invesco (Property, Private Equity, Loans); PA Capital (Private Equity); Pension Reserves Investment Management (PRIM) (Traditional Balanced, Private Equity); StepStone Group (Property); PineBridge Investments (Private Equity); J.F. Lehman (Private Equity); ABS Investment Management (Emerging Markets); Aristotle Capital Management (US Equities); Octagon Credit Investors LLC (Credit); TerraCap Management (Property); EnTrust Global (Hedge Funds); Lord Abbett (Core); TA Realty (Property); UBS (Hedge Funds); Foundry Group (Venture Capital); Ironsides Partners (Private Equity, Co-Investment); Morgan Stanley (Property);

PREFACE

The \$687.9mn Massachusetts Water Resource Authority Employees' Retirement System restructured its \$136.4mn fixed income portfolio to reflect a more passive approach, which will include the release of an index fund RFP in the coming months. NEPC advises.

REPORT

At a [special board meeting](#) on July 11, the board of trustees approved a new fixed income structure that terminates one of its active strategies, Garcia Hamilton's Fixed Income Aggregate, and switches it for an index fund.

NEPC partner Sebastian Grzejka said the system "is not giving up much" in returns by switching to a passive strategy and will save on fees.

The index fund will be sourced through an RFP search, which was approved at the July meeting. Once drafted, the search will be presented to the board for approval at a future meeting and will be released subsequently.

The selected index fund will manage 22.5 per cent of the fixed income portfolio, or about \$30.7mn. As at May 31, Garcia Hamilton managed 21.9 per cent of the fixed income portfolio, or about \$28.9mn.

The board will discuss moving its other active strategy, Lord Abbett's Core Fixed Income Fund, to the selected index fund at a future meeting.

Lord Abbett managed 28.8 per cent, or about \$39.2mn, of the fixed income portfolio as at the end of May.

MWRA's two other fixed income strategies, the Loomis Sayles' Multisector Full Discretion Trust and LMCG Investments' Serenitas Credit Gamma Offshore Fund, will not be affected.

Loomis managed 38.6 per cent, or about \$52.7mn, of the fixed income sleeve and LMCG managed 10.6 per cent, or about \$14.7mn, as at May 31.

An updated asset allocation and manager roster are available in the MandateWire Investor Directory.

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