

California Retirement System Examines Commodities Allocation, Could Introduce Replacement

By Katie Cerulle | Published 07/09/24 | Timetable N/A

INVESTOR


Marin County Employees' Retirement Association (MCERA)

Fund Size (m) (As of 03/31/2024)	USD 3,311.77 / GBP 2,569.77 / EUR 3,055.54
Country	USA

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SUMMARY OF INVESTMENTS


Breakdown

Actual allocation as of 03/31/2024: 13.49% Real Assets, 10.19% Private Equity, 2.2% Alternatives Unspecified, 29.77% US Equities, 20.48% International Equities, 23.88% Fixed Income Unspecified. Target allocation as of 03/31/2024: 15% Real Assets, 8% Private Equity, 32% US Equities, 22% International Equities, 23% Fixed Income Unspecified. Strategic allocation as of 12/31/2021: (min: 12.00%, max: 18.00%) Real Assets, (min: 0.00%, max: 12.00%) Private Equity, (min: 28.00%, max: 36.00%) US Equities, (min: 19.00%, max: 25.00%) International Equities, (min: 20.00%, max: 26.00%) Fixed Income Unspecified, (min: 0.00%, max: 5.00%) Other Unspecified.

INVESTMENT CONSULTANT

Callan

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MANAGER ROSTER

Western Asset Management Company (WAMCO) (Credit); BlackRock (REITS, TIPS); State Street Global Advisors (International Equities, US Equities); Dimensional Fund Advisors (US Equities); Abbott Capital (Private Equity); Pathway Capital Management (Private Equity); TimesSquare Capital Management (International Equities); Colchester Global Investors (Global Bonds); Fortress Investment Group (Private Debt); CarVal Investors (Private Debt); AEW (Property); Wellington Management (Core Plus); Invesco (Commodities); Vårde Partners (Private Debt); Parametric Portfolio Associates (International Equities, US Equities, Fixed Income Unspecified); Woodmont Real Estate Services (Property); KBI (Natural Resources); UBS (Property); Fidelity Institutional Asset Management (Emerging Markets);

PREFACE

The \$3.3bn Marin County Employees' Retirement System investment committee is looking to replace its commodities allocation with another real assets strategy, retirement administrator Jeff Wickman told MandateWire. Callan advises.

REPORT

According to Wickman, after Callan president Jim Callahan presented a review of the real assets portfolio structure at the investment committee's June 18 meeting, the committee expressed a desire to replace its commodities allocation.

The system's 15 per cent target to real assets is currently split into an 8 per cent target to real estate and a 7 per cent target to public real assets.

Public real assets is then broken down into four even target allocations of 1.75 per cent each to commodities, Treasury-inflation protected securities, real estate investment trusts and global natural resource equities.

In June, Callahan said the system should consider reducing or eliminating its commodities exposure given market volatility and challenging returns. He presented four potential alternative mixes, all of which terminate exposure to commodities.

Three of the options introduce allocations to global listed infrastructure, leveraged loans or a combination of both to replace commodities.

The fourth option redistributes the commodities allocation evenly across the other three public real asset strategies.

Wickman said the committee did not select a proposed new asset mix and will discuss available market options, including those presented at the June meeting, at a future investment committee meeting. The next investment committee meeting is scheduled for September 18.

As at March 31, Invesco's Commodities Fund had a \$57.2mn allocation, BlackRock's TIPS Index Fund had a \$58mn allocation, KBI Global Investors' Natural Resources Fund had a \$60.8mn allocation and BlackRock's REIT Index Fund had a \$58.3mn allocation.

The overall real assets portfolio had an actual allocation of 13.5 per cent as at the same date.

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