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San Joaquin mulls public equity boost

- Public equity could get up to $370m injection
- $4bn system considering terminating risk parity portfolio
- May also allocate part to fixed income sleeve

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The $4bn San Joaquin County Employees Retirement Association could have an additional $370m to allocate to its public equity sleeve if it decides to remove its risk parity portfolio.

Consultant Meketa has raised concerns over the risk parity allocation and plans to present the board with a recommendation after the November meeting.

Meketa MD David Sancewich advised against moving too quickly on the risk parity matter, as doing so would lock in accrued losses. However, he did indicate where the assets might be reallocated.

“If I were to sell risk parity today, I would put the money in your public equity and fixed income markets,” Sancewich said at the September board meeting.

Global equity makes up 37.1% or $1.5bn against a target of 33% or $1.3bn of the traditional growth portfolio, as of July 31.

The system also allocates $158m to emerging markets through the global equity sleeve. Managers on the roster include GQG Partners and PIMCO.

Meketa noted that the public equity allocation has been a positive contributor to the portfolio as public equity markets recover from last year’s downfall.

In 2020, the system had moved $1.5bn to a passive global equity strategy, Northern Trust which has been consistently performing well.

“Northern Trust gave you a 17.9% return just from being in the public equity markets from that window, and that’s a huge benefit to your portfolio. We eliminated a lot of the cap tilts and the style tilts that we previously had, which you benefitted from,” explained Sancewich.

Meketa may also look to allocate the funds to the fixed income sleeve.

The board will next meet on October 11.

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