

Date: January 21, 2026
To: Board of Retirement
From: F. Robert Reveles, Retirement Financial Investment Officer
Subject: California Retirement Systems Investment Expense Update

Recommended Action:

Receive and file.

Fiscal and Financial Impacts:

There is no financial impact to receiving this informational item.

Strategic Plan Importance and Risk Assessment:

This report pertains to Goal 1 – Protect the Plan’s long-term financial health and Goal 2 – Strengthen Risk Oversight.

Background and Discussion:

CERL System Investment Expense Update:

During the December 17, 2025, Board of Retirement meeting staff gave an overview of a few tables in the June 30, 2025, Annual Comprehensive Financial Report. One of the tables reviewed was MCERA’s Schedule of Investment Management Fees and Other Investment Expenses on page 55 (or numbered page 47). There was a brief discussion on how our system’s overall investment program fees compare with other CERL systems. This report is the follow-up to that discussion.

Attached is a brief three page summary report showing total investment expense for CalPERS, CalSTRS, and the 20 CERL systems. The information comes from each system’s annual report. The total investment expense ratio is calculated as the total investment expense (reported in each system’s Other Supplementary Information schedule of investment management fees) divided by Fiduciary Net Position. Not all systems report their investment expenses in the same way. Fees reported on any given strategy could be direct expenses, indirect or estimated fees, operating expenses, staffing expenses, performance fees, or any combination of these fees.

Our reported investment expense of 57 basis points includes all direct, indirect, operating, performance, investment consultant and actuary valuation fees that the system incurs. Staff salaries are not included; but if they were, an additional \$97,000 would be added to the total investment expense totaling 58 basis points.

On page one, the list has been sorted by lowest ratio to the highest. Comparator agencies and the few systems that have a fiscal year end date of December are noted. Fiduciary Net Position is reported so Trustees know each system’s net assets. This is important context because larger investment accounts can demand lower fees.

Pages two and three present additional investment portfolio details for the Imperial County, the Sacramento County, the San Diego County, and the Mendocino County retirement systems. The other systems were chosen because of their total investment expense ranking (a low expense system and a high expense system) or they are a comparator agency.

The details highlight two important drivers of investment expense, namely passive vs active exposure at the total fund level and asset allocation. Systems with higher passive exposure are generally expected to have lower total investment fees and we see that trend in this report. Asset allocation is reported because some asset class exposure is not available in a passive vehicle. Asset classes like private equity, private credit, real estate, hedge funds, infrastructure, and many other special or bespoke strategies require active management, raising the total investment expense a system will incur.

Looking at the total fund net returns on the bottom of pages two and three we can see the MCERA investment program has met or exceeded the benchmark returns in three of the four periods shown. When comparing the MCERA returns to the other systems we see that MCERA has outperformed the other systems in all periods except three. (vs Sacramento over 5 and 10 years and vs San Diego over 3 years)

Overall MCERA ranks as the 8th lowest (of 20) investment expense among the CERL systems and 9th lowest (of 22) including CalPERS and CalSTRS.

Other Asset Class Definitions:

The three other county systems reviewed here have additional asset classes. Below are the general strategies of those additional asset classes:

- Imperial:
 - Other = Opportunistic strategies that include mezzanine debt, medical royalties, infrastructure special situations, and structured European loans
- Sacramento:
 - Liquid Real Return = SSGA passive real return proxy that includes TIPS, REITS, commodities, and infrastructure companies
 - Absolute Return = Hedge Funds
 - Real Assets = Private infrastructure, energy and power, agriculture/timber strategies
- San Diego:
 - Risk Reducing Fixed Income = Intermediate-duration core fixed income
 - Return Seeking Fixed Income = High Yield and Bank Loans
 - Opportunistic = Primarily a single Blackrock Global Multi-Asset class strategy
 - Private Real Assets = Private agriculture, energy, infrastructure, timber strategies

Attachment:

1. California Retirement Systems Investment Expense Ratios

Schedule of Investment Expense Ratio for California Retirement Systems

For the Fiscal Year Ended June 30, 2025

System	Total Expense Ratio	Net Position
San Diego	0.20%	\$ 19,745,739,000
Marin	0.31%	\$ 3,625,542,012
LA	0.34%	\$ 86,187,618,000
Santa Barbara	0.41%	\$ 4,813,621,000
CalPERS	0.49%	\$ 594,621,283,000
Fresno	0.49%	\$ 7,380,434,397
Imperial ¹	0.50%	\$ 1,308,837,826
Contra Costa ²	0.52%	\$ 11,620,426,000
Mendocino	0.57%	\$ 793,440,285
Sonoma ²	0.60%	\$ 3,758,167,000
CalSTRS	0.61%	\$ 370,180,189,000
Merced ¹	0.63%	\$ 1,378,701,813
San Joaquin ^{1 2}	0.64%	\$ 4,659,216,458
Alameda ²	0.66%	\$ 10,932,717,000
Tulare ¹	0.79%	\$ 2,221,582,000
Orange ²	0.83%	\$ 23,961,991,000
Ventura	0.85%	\$ 9,160,083,000
Stanislaus ¹	1.06%	\$ 3,122,109,000
Sacramento	1.20%	\$ 14,577,459,000
Kern	1.30%	\$ 6,522,001,000
San Bernardino	1.34%	\$ 16,432,219,000
San Mateo	1.38%	\$ 7,213,800,664

¹ Comparator Agency

² Fiscal Year End – 12/31/24

Selected CERL System Investment Information

For the Fiscal Year Ended June 30, 2025

Mendocino		
Total Passive	Total Active	
42.7%	57.3%	
Asset Allocation		
Asset Class	Target	Actual
Domestic Equity	37.0%	37.5%
Intl Equity	25.0%	25.7%
Fixed Income	21.0%	20.2%
Real Estate	11.0%	9.1%
Infrastructure	6.0%	7.4%
Cash	0.0%	0.0%
Total Fund Net Return		
Trailing Period	As of 6/30/25	Benchmark
1-Yr	12.3%	11.9%
3-Yr	10.0%	10.0%
5-Yr	9.6%	9.2%
10-Yr	7.7%	7.9%

Imperial		
Total % Passive	Total % Active	
51.8%	48.2%	
Asset Allocation		
Asset Class	Target	Actual
Domestic Equity	33.0%	34.4%
International Equity	17.0%	17.7%
Private Equity	5.0%	5.8%
Core Fixed Income	22.0%	21.4%
TIPS	4.0%	3.5%
Cash	1.0%	1.0%
Real Estate	10.0%	7.9%
Private Credit	8.0%	5.5%
Other	0.0%	2.7%
Total Fund Net Return		
Trailing Period	As of 6/30/25	Benchmark
1-Yr	10.4%	11.0%
3-Yr	9.3%	10.0%
5-Yr	9.1%	9.0%
10-Yr	7.4%	7.7%

Selected CERL System Investment Information

For the Fiscal Year Ended June 30, 2025

Sacramento		
Total % Passive	Total % Active	
11.9%	88.1%	
Asset Allocation		
Asset Class	Target	Actual
Global Equity	39.0%	41.6%
Liquid Real Return	1.0%	0.0%
Absolute Return	7.0%	6.8%
Fixed Income	16.0%	17.5%
Private Credit	9.0%	3.3%
Real Estate	8.0%	6.2%
Private Equity	11.0%	12.2%
Real Assets	7.0%	10.6%
Cash	2.0%	1.8%
Total Fund Net Return		
Trailing Period	As of 6/30/25	Benchmark
1-Yr	10.8%	9.9%
3-Yr	8.7%	8.6%
5-Yr	9.6%	8.9%
10-Yr	8.0%	7.3%

San Diego		
Total % Passive	Total % Active	
58.7%	41.3%	
Asset Allocation		
Asset Class	Target	Actual
Global Equity	5.0%	5.2%
US Equity	26.0%	27.0%
NonUS Equity	12.0%	12.6%
Emerging Equity	5.0%	5.1%
Risk Reducing Fixed Income	21.0%	24.1%
Return Seeking Fixed Income	7.0%	7.3%
Opportunistic	5.0%	4.8%
Real Estate	10.0%	9.8%
Private Equity	6.0%	2.2%
Private Debt	3.0%	1.1%
Private Real Assets	0.0%	0.7%
Total Fund Net Return		
Trailing Period	As of 6/30/25	Benchmark
1-Yr	11.2%	12.1%
3-Yr	10.7%	11.1%
5-Yr	9.0%	9.2%
10-Yr	7.1%	7.4%