

City of Gainesville

City Hall
200 East University Avenue
Gainesville, Florida 32601



Minutes - Draft

March 24, 2022

9:00 AM

Room 016, City Hall, 200 East University Ave

Pension Review Committee

Jonathan Visscher (Chairperson)

Harvey Lewis (Member)

David Rader (Member)

Matthew Barker (Member)

Patrick Keogh (Member)

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MEETING INFORMATION

CALL TO ORDER

The meeting was called to order at 8:57 a.m.

ROLL CALL

MEMBERS PRESENT: Jonathan Vissler, Matthew Barker, Patrick Keogh, Harvey Lewis

ABSENT: David Rader (attended via zoom, but did not submit an affidavit, as such was restricted from voting).

STAFF PRESENT: William Johnston, Investment Officer; Gregory Williams, Senior Analyst; Mark Benton, Rates & Investment Director GRU;

OTHERS PRESENT: Brendan Vavrica, AndCo Consulting; Gregory Pittenger, Principal; Bridget Lechtenberg, Principal; Brecka Anderson, Assistant City Auditor

ADOPTION OF THE AGENDA

Adopted

APPROVAL OF MINUTES

[210977.](#) **Regular Meeting Minutes of February 24, 2022 (B)**

RECOMMENDATION *The Pension Review Committee review the Regular Meeting Minutes of February 24, 2022, and take any action deemed appropriate.*

Approved as Recommended

PRESENTATIONS

[210978.](#) **Presentation by Principal (B)**

Principal Real Estate relationship manager Greg Pittenger and associate portfolio manager Bridgett Lechtenberg reviewed the Plan's investment in the Principal Core U.S. Property Fund. The Plan's allocation to the Fund was intended to be an alternative to fixed income investments, and to generate higher returns while still mitigating risk. Principal's organization and investment team were reviewed. Key Fund

statistics and Principal's outlook on the real estate market as a whole were discussed. The Fund's holdings across various geographic regions and sectors were reviewed. Relative performance and market views on the industrial, multi-family, office and retail sectors were discussed.

Chairman Visscher inquired about the occupancy rate and rental collections during the pandemic. Ms. Lechtenberg indicated that occupancy and rent collections had not been a problem, and that the Fund had not experienced the headwinds that some of their benchmark competitors had. The Fund's success was reflected in the portfolio's NOI growth. The Chairman also inquired about student housing as there appeared to significant growth in the Gainesville real estate market. Ms. Lechtenberg explained that Principal monitored their student housing investments for oversupply, and exited properties that showed potential weakness.

Member Keogh inquired about the portfolio's low leverage ratio, noting that higher leverage had the potential to increase returns. Ms. Lechtenberg noted that the leverage ratio was lower than Principal usually maintained, and that it was expected to increase somewhat. However lower leverage part of the Fund's core style, and used to control risk while still generating income. Chairman Visscher and Mr. Johnston noted that the core real estate investment was intended to replace fixed income investments, but provide better long term returns, with a similar risk profile, and lower leverage was part of that constraint. Mr. Pittenger stated that Principal had other Funds with higher leverage ratios, notably the Value Added portfolio, which Mr. Johnston noted had been his preference for the Plan. Principal also offered an Opportunistic Fund, which was a mix of multi-family and industrial. Member Keogh also inquired about the partnership structure of the property investments. Ms. Lechtenberg noted that Principal's never owned less than fifty percent in partnerships, and about thirty percent of the portfolio was in joint ventures with experienced local developers.

Mr. Johnston inquired about increasing rents and how long it would take the portfolio to benefit from them. Ms. Lechtenberg noted that the average lease length in the portfolio was four years, and as rents increased, the portfolio could turn over leases at higher rents relatively quickly.

Member Barker asked about the average incomes for the affordable housing portions of the portfolio, and their impact on Fund performance. Ms. Lechtenberg didn't have exact figures, but noted that low income requirements depended on specific property locations and terms, and that they were always reviewed in Principal's investment decisions, and

had contributed positively to Fund returns.

RECOMMENDATION

The Pension Review Committee hear a presentation by Principal covering the Plan's investment in their US Property real estate fund, and take any action deemed appropriate.

Discussed

[210979.](#)

Presentation by AndCo (B)

Member Keogh inquired about the decision to hire Principal, a private real estate investment firm, rather than buying REITs which were generally more liquid. Member Keogh was not a member at the time of the decision and wanted some background on the decision. The Chairman explained that, at that time, the Committee was attempting to replace some fixed income investments with real estate, and Mr. Vavrica noted that REIT and private real estate Fund returns were very similar over time, but that private firms typically provided lower volatility, similar to fixed income risk, while REITs provided risk profiles more similar to equities. Member Keogh noted that he was most concerned with the illiquid nature of private limited partnerships. Mr. Johnston noted Principal provided daily liquidity for its Funds, unless there was a lockup due to irregular market conditions.

Mr. Vavrica reviewed the Plan's returns and investment manager performance relative to their benchmarks through February 28, 2022. Markets were impacted by higher interest rates and the Russian invasion of Ukraine, which contributed to recent negative returns. The Plan's portfolio was somewhat insulated against rising interest rates due to its small allocation to fixed income. Value equities were outperforming growth equities, as interest rate increases negatively impacted growth equity valuations. The international managers experienced poor performance, due to foreign market volatility related to Russia's invasion and potential Chinese action against Taiwan. Mr. Vavrica confirmed that the Plan's international equity managers did not hold direct Russian investments.

RECOMMENDATION

The Pension Review Committee hear a presentation by AndCo investment consultant Brendon Vavrica covering market conditions, and Plan investment performance and asset allocations, and take any action deemed appropriate.

Discussed

OLD BUSINESS

NEW BUSINESS**211034. City Commission Resolution Calling for Divestment of Holdings in Russian and Belarusian Securities (B)**

The PRC reviewed City Commission Resolution No. 211008, which the City Commission approved at their March 17, 2022 meeting. Committee members were sympathetic to the plight of the Ukrainian people who were under siege, and to Russian citizens who disagreed with the war, but the Committee had many concerns with the Resolution. The Committee disagreed with placing restrictions on investment managers, and with the possibility of having to change commingled investment managers due to restrictions. The PRC was also against making short sighted changes to the Plan's Investment Policy Statement (IPS).

Staff was most concerned with changing the long-term IPS in response to events with an unknown time frame. Any IPS restrictions on Russia and Belarus would need to be removed when the Ukrainian situation was resolved, and the IPS amendment process with the Board of Trustees could take significant time. Mr. Vavrica noted that Florida Statutes had restrictive investment provisions for Iran and Sudan, but that it exempted indirect commingled fund investments to allow the use of mutual funds and other commingled investments. Staff and Mr. Vavrica noted that the Plan's prudent investment managers would already take into account sanctions and market factors concerning Russia and Belarus in their investment decision processes. Member Barker also noted that if the Plan was forced out of commingled fund agreements, that it would increase costs to the Plan.

Member Lewis made motion to have Staff draft a memo to the Board of Trustees of the General Employees' Pension Plan from the Committee to outline their concerns and recommend that the Board not approve the requests made in Resolution No. 211008. If the Board approved the requested restrictions in Resolution No. 211008, the Committee recommended that Staff be allowed to draft appropriate reinvestment language for the IPS changes. The motion was seconded by Member Barker and passed unanimously. Member Raider, who was participating via Zoom, but did not have an affidavit signed to attend remotely and therefore could not vote, agreed with the motion.

RECOMMENDATION

The Committee 1) discuss the City Commission's request that the Board divest of any current holdings in Russian or Belarusian securities as soon as possible; 2) discuss the City Commission's request that the Board consider a new investment policy opposed to future investment of City funds in Russian or Belarusian securities, and make any

recommendations deemed appropriate.

Discussed

INFORMATIONAL ITEMS

Parking

Staff informed the Committee of a new parking system. Members will need to provide their license plate number and state of registration. Updating parking availability was also provided and noted Lot 5, in front of City Hall, will likely be the easiest place for members to park. It was also noted that free parking for PRC members would only be valid during scheduled PRC meetings.

PUBLIC COMMENT

MEMBER COMMENT

NEXT MEETING DATE

ADJOURNMENT

The meeting was adjourned at 10:47 a.m.

[990562](#)

REQUIREMENT

IN ACCORDANCE WITH THE AMERICANS WITH DISABILITIES ACT OF 1990, PERSON NEEDING A SPECIAL ACCOMMODATION TO PARTICIPATE IN THIS PROCEEDING ARE REQUESTED TO NOTIFY THE EQUAL OPPORTUNITY DEPARTMENT AT 334-5051 OR CALL THE TDD PHONE LINE AT 334-2069 AT LEAST 48 HOURS IN ADVANCE.

IF A PERSON DECIDES TO APPEAL ANY DECISION MADE BY THE BOARD WITH RESPECT TO ANY MATTER CONSIDERED AT THIS MEETING OR HEARING, THEY WILL NEED A RECORD OF THE PROCEEDING, AND FOR SUCH PURPOSE, THEY MAY NEED TO ENSURE THAT A VERBATIM RECORD OF THE PROCEEDING IS MADE, WHICH RECORD INCLUDES THE TESTIMONY AND EVIDENCE UPON WHICH THE APPEAL IS TO BE BASED. FLORIDA STATUTES 286.0105

THIS MEETING MAY BE CONDUCTED BY MEANS OF OR IN CONJUNCTION WITH COMMUNICATIONS MEDIA TECHNOLOGY, SPECIFICALLY A TELEPHONE CONFERENCE CALL. THE ABOVE LOCATION, WHICH IS ORDINARILY OPEN TO THE PUBLIC SHALL SERVE AS AN ACCESS POINT, PERSON WISHING TO ATTEND SHOULD APPEAR AT THE ACCESS POINT, WHERE TELEPHONE ACCESS TO THE MEETING WILL BE PROVIDED.