

City of Gainesville

City Hall
200 East University Avenue
Gainesville, Florida 32601



Minutes - Final

May 25, 2022

9:00 AM

Room 016, City Hall, 200 East University Avenue

Board of Trustees of the Consolidated Police & Fire

Retirement Plan

Eugene Dugan (Chairperson)

Steve Varvel (Trustee)

Walter Barry (Trustee)

Harvey Lewis (Trustee)

Leah Hayes (Trustee)

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MEETING DETAILS

CALL TO ORDER

The meeting was called to order at 9:01 a.m.

ROLL CALL

MEMBERS PRESENT: Eugene Dugan, Leah Hayes, Harvey Lewis,
Steve Varvel

MEMBERS ABSENT: Walter Barry

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

OTHERS PRESENT: Robert Klausner, Board Attorney; Cole Jacobs,
Willis Towers Watson; Joe Griffin, Foster and Foster; Amanda Brown,
Foster and Foster; James Owens, LSV.

ADOPTION OF THE AGENDA

Adopted

APPROVAL OF MINUTES

[211127.](#) Regular Meeting Minutes of March 23, 2022 (B)

RECOMMENDATION *The Board of Trustees review the regular meeting minutes of
March 23, 2022 and take any action deemed appropriate.*

Approved as Recommended

BOARD ATTORNEY UPDATE

Mr. Klausner mentioned that the Plan's two new investment manager contracts were finalized. Staff and Willis Towers Watson would work together to determine the timing and sources of funding the managers when they call for funding, likely in the third or fourth quarter of 2022. Mr. Klausner also confirmed the Board had sovereign immunity in the contracts.

Mr. Klausner also noted a new statute which would likely take effect October 1, 2022. The statute involved record keeping updates, eligibility on presumptive disease, and interpretations to the Cancer bill, which

would apply retroactively. There was no impact to the Plan, just to the City's record keeping requirements. The bill was yet to be signed, but Mr. Klausner believed it would be, and he would update the Board at its next meeting.

PRESENTATION

[211131.](#)

Presentation by LSV Asset Management (B)

James Owens of LSV Asset Management gave a presentation to the Board on the Plan's Large Cap Value and Small Cap Value portfolios. Mr. Owens reviewed LSV's long history with the Plan, the growth of the portfolio assets, as well as organizational changes at LSV over the past year. LSV's investment analysis approach of identifying undervalued or "cheap" stocks was discussed, as well as the differences between the large and small cap approach between their two portfolios. The portfolios' returns relative to their benchmarks were reviewed, in addition to market & economic conditions. Mr. Owens noted that the portfolios' value index benchmarks had increased their weightings in growth companies such as Salesforce. Those value index growth shifts had led to tracking error increases between the portfolios and their benchmarks.

RECOMMENDATION

The Board of Trustees hear a presentation by James Owens from LSV Asset Management regarding the Plan's U.S. Large Cap Value Equity and U.S. Small Cap Value Equity investment portfolios, and take any action deemed appropriate.

Discussed

[211128.](#)

Presentation by Willis Towers Watson (B)

Cole Jacobs of Willis Towers Watson discussed equity and fixed income markets, inflation and other economic data, as well as treasury rates and market sentiment concerning potential recessionary scenarios. Mr. Jacobs also discussed the Plan's performance and reviewed each managers absolute return and relative return to their portfolio benchmarks. Chairman Dugan inquired about the Russian holding, which Mr. Jacobs noted was small, and had been written down to zero. Mr. Jacobs also mentioned that some of SGA's and Mawer's under performance resulted from having no allocations to the energy sector, which had been the only sector with positive performance during the period. Staff inquired why the investment managers had no energy sector allocations, and Mr. Jacobs indicated it was due to ESG considerations and cyclical sector considerations. Mr. Jacobs clarified that the ESG factors were a standard component of investment considerations, and not a mandate or final determinant of ownership.

RECOMMENDATION

The Board of Trustees hear a presentation by Willis Towers Watson investment consultants Cole Jacobs and Zachary Paris covering market updates, Plan investment performance and strategic Plan asset allocations, and take any action deemed appropriate.

Discussed

OLD BUSINESS

NEW BUSINESS

[211173.](#)

Investment Rate of Return Assumption (B)

The Florida Division of Retirement's 2020 Actuarial Valuation acceptance letter recommended that the Board review the Plan's investment rate of return assumption, and consider lowering it. Foster & Foster actuary Joe Griffin presented the Board with an investment rate of return analysis that incorporated expected capital market investment return assumptions across various asset classes going forward. As a result of the analysis, Foster & Foster and City Staff recommended lowering the Plan's investment rate of rate assumption from 7.9% to 7.75%. Staff and Foster & Foster would also continue to evaluate Plan returns and capital market asset returns, to determine if the Plan's investment rate of rate assumption should be lowered further.

Mr. Johnston noted that the Plan had always been invested more aggressively than traditional 60% Equity - 40% Fixed Income pension plan strategies, and had subsequently achieved higher long term returns than most pension plans. Staff expected Plan returns to continue to exceed the assumed investment return rate, as long as asset allocations weren't made less aggressive.

Lowering the rate will impact the Plan by increasing the City's required annual employer contributions. However, the State Division of Retirement continued to recommend that local law pension plans across the State consider lower investment return assumptions.

The Board voted unanimously to lower the assumed rate of return to 7.75%.

RECOMMENDATION

The Board of Trustees review the proposed Investment Rate of Return Assumption effective for fiscal 2021 Actuarial Assumption, and take any action deemed appropriate.

Discussed

[211236.](#)

Vested Terminated Member Benefit Eligibility

At the request of the Board Attorney, the Board voted to amend the agenda and postpone this discussion item to the next meeting, June 22, 2022.

RECOMMENDATION

Chairman Dugan requested that the Board discuss the Plan's benefit eligibility age requirement for vested terminated members, and review the benefit application process for vested terminated members once eligibility age has been reached. The Chairman also requested a discussion of whether a vested terminated benefit should be effective from the date a member becomes age eligible, even if the application for the benefit doesn't occur until later.

Postponed

INFORMATIONAL ITEMS

[211264.](#)

Form 1 (B)

Staff reminded the Board that their Form 1s were due by July 1, 2022. Member Lewis had completed and submitted his form to the local Supervisor of Elections Office. Chairman Dugan inquired if Share Plan balances should be included on Form 1. Staff thought that DROP Plan balances should be included, but wasn't sure about Share Plan balances. The Florida Commission on Ethics, or the Division of Retirement might be able to provide guidance.

Discussed

PUBLIC COMMENT

MEMBER COMMENT

NEXT MEETING DATE

ADJOURNMENT

The meeting was adjourned at 10:26 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.