

City of Gainesville

*City Hall
200 East University Avenue
Gainesville, Florida 32601*



Minutes - Final

June 24, 2021

9:00 AM

City Hall, Room 016

Pension Review Committee

Jonathan Visscher (Chairperson)

Harvey Lewis (Member)

David Rader (Member)

Matthew Barker (Member)

Patrick Keogh (Member)

If you have a disability and need an accommodation in order to participate in this meeting, please contact the Office of Equal Opportunity at (352) 334-5051 at least two business days in advance. TTY (Text Telephone Telecommunication Device) users please call 711 (Florida Relay Service). For Speech to Speech (STS) relay, please call 1-877-955-5334. For STS Spanish relay, please call 1-877-955-8773. For STS French Creole relay, please call 1-877-955-8707.

MEETING INFORMATION

CALL TO ORDER

The meeting was called to order at 9:00 A.M.

ROLL CALL

Members Present: Jon Visscher, David Rader, Harvey Lewis, Patrick Keogh

Staff Present: William Johnston, Investment Officer; Gregory Williams, Pension Analyst Senior; Cintya Ramos, Finance Director; Mark Benton, GRU Rates & Investment Director; Fred Murry, Assistant City Manager

Others Present: Brendon Vavrica, AndCo Consulting; Bill Underwood, Barrow Hanley Global Investors; Wayne Palladino, Pzena; John Flynn, Pzena

Brian O'Brien, Citizen

ADOPTION OF THE AGENDA

Adopted

APPROVAL OF MINUTES

[210092.](#) Regular Meeting Minutes of May 27, 2021 (B)

Attachments: [210092_PRC Minutes_20210527](#)

RECOMMENDATION *The Pension Review Committee review the Regular Meeting Minutes of May 27, 2021, and take any action deemed appropriate.*

Approved as Recommended

PRESENTATIONS

[210025.](#) Presentation by Barrow Hanley Global Investors (B)

Attachments: [210025_Barrow Hanley Presentation_20210527](#)

Barrow Hanley representative Bill Underwood reviewed the Plan's U.S. Equity Large Cap Value Strategy performance, and discussed investment approach changes related to recent equity markets. Value oriented equity assets continued to outperform growth equities, and that cycle was expected to continue for some time. Barrow Hanley rebalanced the Plan's portfolio during the pandemic, investing in stocks that had been hurt, but were still fundamentally sound. Portfolio turnover was discussed on a sector basis,

including over weighting to consumer discretionary and under weighting to pharmaceuticals. Mr. Underwood also discussed various issues with the cap weighted makeup of growth oriented indexes such as the S&P 500, and the degree of value and performance concentrated in so few index stocks. It was also mentioned that the Russell 1000 Value Index has nearly double the number of stocks as the Russell 1000 Growth index.

RECOMMENDATION

The Pension Review Committee hear a presentation by Bill Underwood from Barrow Hanley Global Investors on the Plan's U.S. Equity Large Cap Value portfolio, and take any action deemed appropriate.

Discussed

210094.**Presentation by Pzena (B)**

Attachments: [210094_Pzena Presentation 20210624](#)

Wayne Palladino of Pzena discussed current market conditions, and Pzena's history with the Plan. Portfolio Manager John Flynn discussed the performance of the Plan's Small Cap Focused Value equity portfolio along with Pzena's stock selection process. Value equities' out performance of growth equities during the pandemic was discussed. Interest rates, fiscal and monetary policies, and potential market scenarios were discussed. Committee Member Keogh asked about Pzena's ESG factor considerations in their investment process. Mr. Flynn noted that Pzena had researched company ESG (Environmental, Social & Governance) scores, and determined that higher existing ESG scores had very minor correlations to equity price performance, but improving ESG scores did correlate somewhat with higher equity price performance. So, while Pzena did analyze company ESG scores and ESG score improvements when making investment decisions, it was not a key factor in the decision process.

RECOMMENDATION

The Pension Review Committee hear a presentation by Wayne Palladino from Pzena Investment Management on the Plan's U.S. Equity Small Cap Value portfolio, and take any action deemed appropriate.

Discussed

210095.**Presentation by AndCo (B)**

Attachments: [210095_AndCo Investment Performance Review 053121_20210624](#)
[210095_AndCo Monthly Market Update 20210624](#)
[210095_AndCo Thought Piece - US Large Cap Growth 20210624](#)
[210095_AndCo US Large Cap Growth Equity Manager Analysis 20210624](#)

AndCo Investment consultant Brendon Vavrica gave an economic & market update, and reviewed Plan's investment performance. Markets trends continued to be positive, though inflation continued to be a concern. Asset class and individual investment manager returns relative to benchmarks were discussed. International equities continued to under perform US equities and value equities out performed growth equities. The Plan's low allocation to fixed income benefited investment performance as inflationary fears drove down bond prices.

AndCo reviewed a deep analysis of Brown Advisory versus similar large cap growth equity managers and benchmarks, and noted that the benchmark tracking error for most large cap growth equity managers had increased. Brown Advisory's performance was in line with similar large cap growth equity investment managers, most of whom were under performing their benchmarks due to the impact of ongoing FAAMG and 'meme' stock investment trends on overvalued large cap growth equity benchmarks. Brown Advisory's historical under performance was primarily due to a single year's under performance. There was a discussion of how manager portfolio risk characteristics were impacted the degree of portfolio alignment with their benchmarks. AndCo was recommending that their clients not use passive large cap growth equity investing in current markets due to the downside risk of heavily weighted and overvalued index components.

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

INFORMATIONAL ITEMS

PRC Appointment

The Committee was informed that Patrick Keogh was appointed to the PRC by the Board of Trustees for the General Pension Plan at their June 3, 2021 meeting.

City Advisory Board & Committee Attendance Requirements

Chairman Visscher spoke to a recent question on virtual attendance of meetings. Staff has spoken with the City Attorney for clarification and, according to State Statue for members to attend and vote as members of the committee, they must appear in person, and that a quorum of three members must be physically present to call a meeting to order and vote on recommendations and take action. A quorum can vote to allow a member to attend remotely under "extraordinary circumstances". Further, "If a quorum is physically present for a Sunshine meeting, the opinions have allowed an individual member who has "extraordinary circumstances" (which is a case by case decision to be made in the good judgment of the body) to participate virtually. So it is possible that an individual member of an evaluation team/committee could participate virtually if that request is made and approved by the body."

PUBLIC COMMENT

Citizen Brian O'Brien commented on the use of virtual attendance and was a proponent of in-person meetings.

MEMBER COMMENT

Chairman Visscher inquired about the status of suggested changes to the Pension Review Committee Resolution language to update and expand PRC qualification requirements to broaden the pool of potential PRC member candidates. Staff gave updates on internal PRC qualification & term discussions, including a recommendation by the City Attorney to repeal the PRC Resolution and add PRC language to the City Code of Ordinance since the PRC makes recommendations to the City Commission.

NEXT MEETING DATE

ADJOURNMENT

The meeting was adjourned at 11:13 A.M.

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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.