

City of Gainesville

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



Minutes - Final

June 23, 2022

9:00 AM

Room 016, City Hall, 200 East University Avenue

Pension Review Committee

Jonathan Visscher (Chairperson)

Harvey Lewis (Member)

David Rader (Member)

Matthew Barker (Member)

Patrick Keogh (Member)

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MEETING DETAILS**CALL TO ORDER**

The meeting was called to order at 9:07 a.m.

ROLL CALL

MEMBERS PRESENT: Jonathan Visscher, Harvey Lewis, David Rader

MEMBERS ABSENT: Matthew Barker, Patrick Keogh

STAFF PRESENT: William Johnston Investment Officer; Gregory Williams, Senior Analyst; Jennifer Crocker, Finance Director; Sue Wang, Controller

OTHERS PRESENT: Brendan Vavrica, AndCo Consulting; Farias Parakh, Silchester International Investors; Jenni Bourque, Silchester International Investors; Mimi Brucaj, Silchester International Investors; Wayne Palladino, Pzena Investment Management; Evan Fox, Pzena Investment Management

ADOPTION OF THE AGENDA

Adopted

APPROVAL OF MINUTES

[211283.](#) **Regular Meeting Minutes of May 26, 2022 (B)**

RECOMMENDATION

The Pension Review Committee review the Regular Meeting Minutes of May 26, 2022, and take any action deemed appropriate.

Approved as Recommended

PRESENTATIONS

[211284.](#) **Presentation by Silchester (B)**

Farias Parakh and Jenni Bourque of Silchester International Investors reviewed the Plan's International Value Equity portfolio. Ms. Parakh discussed Silchester's history, staffing and ownership, and reviewed market conditions and portfolio performance. Silchester had decided to remain open to new inflows of capital after reopening the portfolio in 2020. It was noted that recent redemptions had been largely due to clients re-balancing assets.

Silchester's bottom up investment analysis approach, and their buy & sell decision making processes were discussed, as well as portfolio turnover. Portfolio holdings and geographic allocations were also discussed. It was noted that Russia had always been screened out by Silchester's investment processes. Mr. Johnston asked about the lack of investment in Brazil and India, to which Ms. Parakh noted that while they have done research on companies in both countries, they haven't found anything that met their standards.

Chairman Vissler asked about the Energy sector, and Silchester's decision to lower the allocation to Royal Dutch Shell. Ms. Parakh noted that the valuation had risen due to increases in oil prices, and Silchester was comfortable lowering their allocation until oil prices fell. Mr. Vavrica asked about Silchester benchmarking themselves to a non-value index, and Ms. Parakh responded that there wasn't a perfect index for Silchester, and that the typical EAFE Value index didn't capture enough of the portfolio to be the most appropriate benchmark for them.

RECOMMENDATION

The Pension Review Committee hear a presentation by Silchester regarding the international equity portfolio managed on behalf of the Plan and take any action deemed appropriate.

Discussed

[211285.](#)

Presentation by Pzena (B)

Wayne Palladino and Evan Fox of Pzena Investment Management reviewed the Plan's Small Cap Value portfolio. Mr. Palladino discussed Pzena's history with the Plan, and gave an overview of the firm including updates to staffing and ownership. Evan Fox reviewed market conditions and portfolio performance, noting that the defensive nature of value investing had protected the Plan relative to growth investing during recent market volatility. Portfolio sector allocation relative to the benchmark was discussed, in addition to the specific companies held. Portfolio turnover, along with additional purchases, sales and new additions to the portfolio were reviewed.

Mr. Vavrica asked about Pzena's view of Small Cap Value's 1.4% annualized under-performance relative to Large Cap Value over the last ten year period, noting that Small Cap was usually expected to outperform Large Cap. Mr. Fox indicated that Large Cap had outperformed Small Cap over the last twenty years, though Pzena believed nothing had changed fundamentally, and most of the out-performance was due to trending Mega Caps. Pzena had started to see a Small Cap performance reversal recently, and considered Small Cap to still be more attractive.

RECOMMENDATION

The Pension Review Committee hear a presentation by Wayne Palladino reviewing the Domestic Small Cap Value Equity Portfolio managed on behalf of the Plan and take any action deemed appropriate.

Discussed

[211286.](#)

Presentation by AndCo (B)

Brendon Vavrica of AndCo Consulting presented a review of recent market conditions including the impacts of inflation and Federal Reserve interest rate hikes. He also noted that the annual reconstitution of the Russell benchmark indexes was coming up. Member Rader inquired how the Plan reconstituted its portfolio, and if there was an emphasis on tactical allocations between growth and value segments. Mr. Johnston and Mr. Vavrica noted that there was focus on tactical reallocation to chase returns in a particular asset class or style, and that the portfolio was typically rebalanced toward Investment Policy targets annually, when cash was withdrawn from the investment accounts to cover Plan operating expenses.

The Plan experienced out-performance relative to its benchmarks recently, while its international equity managers had under-performed. International growth manager Baillie Gifford continued to be negatively impacted by its Chinese market allocations, with very weak performance over the past year. It appeared that Baillie Gifford performance had started to track to their benchmark, though their performance still warranted close monitoring.

Mr. Vavrica also discussed inflation and the Federal Reserve in detail. While rates were expected to continue to rise, the Plan was less affected by it due to its low fixed income allocation. Once rates leveled off, Mr. Vavrica believed that fixed income assets would see positive returns again, but those returns would continue to be minimal compared to the potential returns in equity and real estate markets.

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****PUBLIC COMMENT****MEMBER COMMENT**

In response to Chairman Vissher's inquiry, Mr. Johnston updated the Committee on the Russian/Bellarusan investment restriction decision made recently by the Plan's Board of Trustees. The Board apparently ignored both the PRC's memo and City Attorney memo recommending against placing restrictions on the Plan's investments, despite fiduciary duty concerns and other considerations. The Board voted unanimously to accept the requests made in City Commission Resolution No. 211008. Mr. Johnston indicated that he would be updating the Plan's Investment Policy Statement accordingly to restrict investments in Russian and Belarusian securities. Mr. Johnston also discussed the City Finance Committee's consideration of ESG/SRI investment policies, and noted that he would be reviewing existing Plan investment manager ESG/SRI factor analysis processes with the Finance Committee in August.

NEXT MEETING DATE

The Pension Review Committee meeting was scheduled for August 25, 2022.

ADJOURNMENT

The meeting was adjourned at 11:03 p.m.

[990562](#)**REQUIREMENT**

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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

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