



Agenda Item Details

Meeting	Jun 16, 2021 - City Commission Meeting
Category	8. APPEARANCES BY CITY COMMISSION APPOINTED BOARDS AND COMMITTEES, AND OTHER GOVERNMENTS
Subject	8.02 Approval of Waiver to Commission Policy 236, Pension Investment Policy --- James O. Cooke, IV, City Treasurer-Clerk
Access	Public
Type	Action
Fiscal Impact	No
Budgeted	No
Recommended Action	Option 1. Approve a waiver to the City's Pension Investment Policy (236) permitting the Pension Plan to retain Wedge Capital as our Small Cap Manager

Public Content

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Statement of Issue

The City's Pension Investment Policy (236) provides guidance to the Treasurer-Clerk on the City's pension fund investments. The Policy provides, among other requirements, that the City's investment in any particular account may not be more than 10% of that account's total assets under management. The pension fund has one manager that is not in compliance with this 10% requirement at this time. Wedge Capital has been managing the Pension Fund's Small Cap Value investment since 1994, and has earned 1.7% annually more than its benchmark over this time period. In addition, our investment consultant, Segal Marco, continues to rate Wedge as "Recommended" as a manager for the Small Cap Value product. Staff is requesting that a waiver to the 10% requirement be granted in order that we may retain Wedge Capital as our Small Cap Value manager.

The Investment Advisory Committee reviewed and approved the proposed waiver for Wedge Capital at their quarterly meeting on May 27, 2021.

Recommended Action

Option 1. Approve a waiver to the City's Pension Investment Policy (236) permitting the Pension Plan to retain Wedge Capital as our Small Cap Manager.

Fiscal Impact

No

Supplemental Material/Issue Analysis

History/Facts & Issues

The City's Pension Investment Policy (236) provides that the City's investment in any account with any particular money manager be limited to no more than 10% of that particular account's total assets under management (Section 236.07, 5)). As investors have shifted assets from actively managed accounts to index funds (passively managed accounts) and alternative asset strategies, smaller boutique managers have lost assets under management in some of their accounts. Wedge had one of its investors withdraw its money out of the Small Cap Value account at the end of April 2021 as part of a broad restructuring of the investor's portfolio. This withdrawal left the City's pension fund investment at roughly 12% of the total assets under management with Wedge in its Small Cap Value account.

Wedge Capital has been managing the Pension Fund's Small Cap Value investment since June 1, 1994, and has outperformed its benchmark, the Russell 2000 Value Index, by 1.7% annually over this 17-year time period. If the waiver should be granted, staff will continue to monitor the percentage that the City's pension fund investment represents in the account to ensure that our proportion does not go materially higher than it is currently. In addition, Wedge Capital is actively marketing its Small Cap Value product in order to increase the assets under management for this account.

The staff met with the Investment Advisory Committee on May 27, 2021 and received the approval for a waiver by the Committee at that meeting.

Options

Option 1: Approve a waiver to the City's Pension Investment Policy (236) permitting the Pension Plan to retain Wedge Capital as our Small Cap Manager.

Option 2: Provide staff with alternative direction.

Attachments/References

Pension Investment Policy (236)

[Pension Investment Policy 236 adopted 10-17-18.pdf \(130 KB\)](#)