

**MINUTES  
OF THE CITY OF ST. CLAIR SHORES  
GENERAL EMPLOYEES' PENSION BOARD MEETING  
FEBRUARY 16, 2021**

Regular Meeting of the General Employees' Pension Board, held via teleconference from the St. Clair Shores Municipal Building at 27600 Jefferson Avenue, St. Clair Shores, Michigan.

Present: Kip Walby, Mary Kotowski, John Caron, and Vicky Shipman

Absent & Excused: Dale Verhaeghe

Also Present: Attorney Tom Michaud; Mike Holycross, AndCo Consultant; Tom Kenny and Andy Jones, Seizert Capital Partners; and Linda Fredal, Recording Secretary

**1. CALL TO ORDER**

Chair Walby called the meeting to order at 3:30 p.m. and a quorum was present.

**Motion by Caron, seconded by Shipman to excuse Mr. Verhaeghe from this meeting.**

Roll Call Vote

Ayes: All – 4

Absent: Verhaeghe

The Board Members identified themselves and the city and state in which they were calling from as follows:

- Kip Walby – St. Clair Shores, Michigan
- Mary Kotowski – St. Clair Shores, Michigan, City Hall
- John Caron – St. Clair Shores, Michigan
- Vicky Shipman – St. Clair Shores, Michigan

**2. APPROVAL OF CONSENT AGENDA ITEMS**

**Motion by Caron, seconded by Kotowski to approve the Consent Agenda items a - c as follows:**

- a) Request to approve Minutes of January 19, 2021 as presented
- b) Request to approve payment of Invoices as of February 9, 2021

Hamlin Capital Management	\$6,253.36
Reinhart Partners, Inc.	\$11,091.00
Reinhart Partners, Inc.	\$4,779.00
SCP (Seizert Capital Partners)	\$4,912.00
VanOverbeke Michaud & Timmony, P.C.	\$1,159.40
Comerica Bank	\$11,490.47
<b>TOTAL</b>	<b>\$39,685.23</b>

- c) Request to receive and file Penn Square Global Real Estate Fund I, L.P. Distribution in the amount of \$2,160.53

Roll Call Vote

Ayes: All – 4

Absent: Verhaeghe

**3. PRESENTATION – SEIZERT CAPITAL PARTNERS**

Seizert Capital Partners is a Large Cap Value which has outperformed since inception in 2012. They were founded in 2000 having six strategies with assets under management of \$1.8 billion as of December 31, 2020. They are an independent firm and are 100% employee owned.

Tom Kenny stated that their principles are to view investments as ownership in underlying businesses, think and invest long-term, manage concentrated portfolios, attempt to invest with a margin of safety, and define risk as permanent

**Agenda Item 3 (cont'd)**

impairment of capital. Their favorable investment attributes include free cash flow, economic returns, balance sheet strength, and management behaviors.

Mr. Holycross compared Edgewood with Seizert stating that Seizert is doing something completely different. They will take the opportunity to look for free cash flow and will buy a business for a cheaper price, therefore going in a different direction than Edgewood.

Their Investment Process is made up of three parts, Identify, Analyze, and Build. The process can take up to a couple of months or even years. It was indicated that this quarter we should see higher earnings in the market than at the same time last year.

Our beginning value with Seizert was \$1,589,170 (Inception Date 11/13/2012) and as of January 31, 2021 is \$4,354,759.

Andy Jones spoke about where our portfolio stood at the end of 2020. He reviewed the Top Ten Holdings (Goldman Sachs Group, Inc., Capital one Financial Corporation, JPMorgan Chase & Co., etc.). He also reviewed the Portfolio Sector Weightings stating Information Technology, Communications Service, Financials, and Industrials are overweights. Health Care and Information Technology are looking better. They have no Materials, Real Estate, or Utilities and are looking for ideas in that area. He reviewed the Portfolio Characteristics mentioning the Active Share is 85.21% and they are now at 35 holdings (the end of the year they were at 36).

The Top 5 performers for the period were reviewed. Mr. Kenny said with Capital One Financial Corporation, people are starting to spend money. He mentioned that MSC Industrial Direct Co., Inc. Class A supplies PPE's to industries. Western Digital Corporation was also in the Top 5 performers and they are a computer hard disk drive manufacturer and data storage company. He indicated that Health Care was a detractor and were less helpful at the end of the year. The Bottom 5 performers were Biogen, Inc., Regeneron Pharmaceuticals, Inc., Amgen, Inc., eBay, Inc., and Northrop Grumman Corporation.

The Trailing Twelve Months Top 5 performers are Apple, Inc., Expedia Group, Inc., eBay, Inc., Microsoft Corporation, and Trane Technologies plc. Several of the Bottom 5 performers are Discovery, Inc. Class C, Northrop Grumman Corporation, and Prudential Financial, Inc. In the Trailing Twelve Months, there is a lack of exposure to Materials and Communication Services.

Mr. Caron spoke about Discovery, Inc. stock. He stated people are not paying for subscriptions, but the company is giving them away for free as a promotion. He mentioned the stock went from \$16 to \$40 which is exciting, but its valuation may be a little too fast.

Mr. Kenny stated that the yield curve is a positive indicator for financials. He updated the Board on Reddit and GameStop.

**Motion by Caron, seconded by Shipman to receive and file the Seizert Capital Partners 4<sup>th</sup> Quarter 2020 Update dated February 16, 2021.**

Roll Call Vote

Ayes: All – 4

Absent: Verhaeghe

**4. ANDCO CONSULTING PRESENTATION**

**a) 4<sup>TH</sup> Quarter 2020 Performance Report**

Mr. Holycross thanked the Board for the opportunity in serving them. He mentioned they have assets in excess of \$100 billion at the end of 2020.

The S&P 500 saw a 12.1% return for the last quarter 2020 and large cap stocks return of 18.4% for the 1-year performance. The see markets up 18% for the year. Previously it was an unhealthy environment for Growth, but starting in September they saw the reverse of that. Value did better than Growth in the 4<sup>th</sup> quarter. Value and Small Cap are doing better with Small Cap up 5%. Growth does better when there is slow economic growth. As of December 31, 2020, global equity was at 72% at the end of 2020.

He mentioned there is no rebalance today as last month's rebalance brought us closer to our target.

Mr. Holycross reviewed the Comparative Performance as of December 31, 2020 stating the Total Fund for the quarter was up 12.96% and the YTD is up 13.70. These are good returns. Eight of nine managers have equaled or outperformed the benchmark and many of them have been around for a long time.

**Agenda Item 4a (cont'd)**

Hamlin was up 13.21% for the year and has done well versus their peer group resulting in getting high dividends. This was due to the falling prices of stocks. Reinhart was up 29.75% for the quarter. American Funds Euro Pacific Growth has done a great job and was up 25.27% for YTD. They believe this trend will continue. Reinhart Fixed Income is up .23% for the quarter and 6.70% for YTD and has less interested rate sensitivity than other managers.

He indicated that Loomis Sayles has been up 14.27% since inception on July 1, 2020, is in the 6<sup>th</sup> percentile, and the spreads have 400 basis points. He is asking the Board to liquidate this fund as they do not have a lot of returns.

Mr. Holycross stated they need to perform a Fixed Income search to try and generate more income.

**Motion by Caron, seconded by Kotowski to liquidate Loomis Sayles High Income Account and transfer these funds to the Reinhart Fixed Income Fund based on the recommendation of the Board's Investment Consultant.**

Roll Call Vote

Ayes: All – 4

Absent: Verhaeghe

**Motion by Caron, seconded by Shipman to receive and file the AndCo Consulting 4th Quarter 2020 Performance Report as presented.**

Roll Call Vote

Ayes: All – 4

Absent: Verhaeghe

**b) Market Values as of February 3, 2021**

Mr. Holycross reviewed the Market Value spreadsheet indicating that the portfolio shows a Total of \$46,027,158 as of February 3, 2021.

**5. VANOVERBEKE, MICHAUD & TIMMONY, P.C. – REQUEST FROM FORMER EMPLOYEE FOR PENSION BENEFITS UNDER RECIPROCAL RETIREMENT ACT**

Mr. Michaud stated the Board received a request from a former City of St. Clair Shores employee to recognize service with another government unit, thus making her eligible to receive a retirement allowance from the Retirement System based on the formula, final average compensation and service credit with the Retirement System at the time of separation of service from the City of St. Clair Shores.

The time eligible for Ms. Borgacz under the Reciprocal Retirement Act is based on her St. Clair Shores employment time of approximately 6 years, 9 months and 20 days of service credit. At age 60, she can use the time at her other government unit.

**Motion by Caron, seconded by Shipman to adopt the Reciprocal Retirement Act resolution - Lisa Borgacz as follows:**

**CITY OF ST. CLAIR SHORES GENERAL EMPLOYEES RETIREMENT SYSTEM**

**RESOLUTION**

**Adopted: February 16, 2021**

**Re: Reciprocal Retirement Act – Lisa Borgacz**

**WHEREAS**, the Board of Trustees is vested with the authority and fiduciary responsibility for the administration, management and operation of the City of St. Clair Shores General Employees Retirement System ("St. Clair Shores Retirement System"), and

**WHEREAS**, the Board of Trustees acknowledges that on April 5, 1966 the City of St. Clair Shores adopted the Reciprocal Retirement Act, Public Act 88 of 1961, as amended, to provide for the preservation and continuity of retirement system service credit for public employees who transfer their employment between units of government, and

**WHEREAS**, the Board of Trustees recognizes that an eligible person may combine credited service with a preceding reciprocal retirement system with credited service acquired with a succeeding governmental unit for purposes of qualifying for an age and service retirement from either retirement system, provided the conditions of the Act are observed, and

**Agenda Item 5 (cont'd)**

**WHEREAS**, the Board is in receipt of a request from former member Lisa Borgacz, per letter dated January 4, 2021, requesting recognition of service credit acquired in another governmental unit retirement system (Mt. Clemens) for purposes of receiving benefits from the Retirement System, and

**WHEREAS**, Ms. Borgacz was a member of the Retirement System from December 3, 1999 to September 23, 2006 (approximately 6 years, 9 months and 20 days of service credit), and her accumulated contributions remain on deposit with the Retirement System, and

**WHEREAS**, the Board is in receipt of confirmation from the City of Mt. Clemens, per letter dated January 4, 2021, reflecting that Ms. Borgacz has been a member of the City of Mt. Clemens Retirement System beginning on October 2, 2006 to the present, therefore be it

**RESOLVED**, that the Board of Trustees hereby acknowledges Lisa Borgacz's service credit with the City of Mt. Clemens pursuant to the Reciprocal Retirement Act, and further

**RESOLVED**, Lisa Borgacz shall be eligible to receive a retirement allowance from the Retirement System based upon the formula, final average compensation and service credit in force with the Retirement System at the time of separation of service from the City of St. Clair Shores, and shall be payable on the first day of the second calendar month immediately following the month in which proper written application is filed with the Board of Trustees on or after the attainment of 60 years of age, provided she has not previously withdrawn her accumulated contributions, and further

**RESOLVED**, that a copy of this resolution shall be provided to the appropriate parties.

Roll Call Vote

Ayes: All - 4

Absent: Verhaeghe

6. **OLD BUSINESS** - none
7. **NEW BUSINESS** - none
8. **AUDIENCE PARTICIPATION** - none
9. **ADJOURNMENT**

**Motion by Caron, seconded by Shipman to adjourn the meeting at 4:27 p.m.**

Roll Call Vote

Ayes: All - 4

Absent: Verhaeghe

**THE NEXT REGULAR MEETING IS SCHEDULED FOR TUESDAY, MARCH 16, 2021.**

Prepared by:  
Linda Fredal  
Recording Secretary

Reviewed by:  
Mary A. Kotowski  
City Clerk / Secretary to GEPB