

**MINUTES  
OF THE CITY OF ST. CLAIR SHORES  
GENERAL EMPLOYEES' PENSION BOARD MEETING  
MARCH 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, Vicky Shipman, and Dale Verhaeghe

Also Present: Attorney Tom Michaud; Mike Holycross, AndCo Consultant; Matt Martinek and Mike Wachter, Reinhart 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.

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

Roll Call Vote

Kip Walby – St. Clair Shores, Michigan  
Vicky Shipman – St. Clair Shores, Michigan  
Dale Verhaeghe – St. Clair Shores, Michigan  
John Caron – St. Clair Shores, Michigan  
Mary Kotowski – St. Clair Shores, Michigan

**2. APPROVAL OF CONSENT AGENDA ITEMS**

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

- a) **Request to approve Minutes of February 16, 2021 as presented**
- b) **Request to approve payment of Invoices as of March 9, 2021 - none**
- c) **Request to approve the Preliminary Deferred Retirement Calculation for Lisa M. Borgacz effective January 2, 2026**

Roll Call Vote

Ayes: All – 5

**3. PRESENTATION – REINHART PARTNERS - MATT MARTINEK AND MIKE WACHTER**

Mike Wachter spoke about the Fixed Income Portfolio mentioning that Madison Investments has entered into agreement to acquire the Reinhart Partners Fixed Income assets including the onboarding of the Investment Team. The important thing to know is that nothing is changing with Reinhart Investments. He said they are in the same building, but not the same space and Madison Investments is taking over the lease and the equity team will be downstairs. This is a 100% impact on the Fixed Income side only. This has been shared with AndCo Consulting and they need to sign off on this.

Mr. Wachter said that 2020 was a very good year for Fixed Income and outperformed the benchmark. Interest rates fell during the year. The sector spread was very low. Credit spreads grew to high levels and outperformance as spreads move out. The year 2020 ended with a more conservative position.

He spoke about the Outlook for U.S. Rates stating the Federal Reserve cut rates to zero in response to COVID-19. They are not thinking about raising rates. Some concern over inflation has driven longer rates slightly higher, but rates are unlikely to rise dramatically unless realized inflation forces the Fed to act.

Matt Martinek spoke about the Equity Portfolio giving a snapshot of history since inception. He stated that our portfolio is valued at almost \$6 million as of December 31, 2020. The portfolio has generated \$5.3 million in net gains (after fees) since inception.

They have had long-term solid performance and last year was a unique year. Underperformance was significant during the first three quarters of the year which was frustrating. Growth Stocks outperformed Value Stocks, and low quality firms outperformed high quality firms. The year finished on a strong note especially after the Pfizer vaccine was announced. They expect, and hope, that continues.

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

He said it paid to invest in non-profitable companies. As things begin to open up, investors will see a long runway of normalization to come. There is a little different dynamic going on between low quality and high quality firms. Mr. Caron asked about the differences between the low and high quality stocks and what is going on in Wall Street. Mr. Martinek spoke about GameStop and the craziness going on in the market with them, and Tesla, a high growth futuristic business, and the enthusiasm for those companies.

When the economy reopens, there will be cost and inflation pressures which lead to rising interest rates. We started to see this in the 4<sup>th</sup> quarter and it continued in 2021. There is a long way to go as it normalizes.

The portfolio generated a gross return of 29.7% vs. 27.4% for the Russell 2500 Index. The largest contributors were Real Estate, Financials, and Industrials.

Mr. Martinek spoke about the Outlook stating that there is more room for interest rates to move higher versus lower. Financials and Real Estate benefit significantly with a better economy.

He spoke about the Merger & Acquisition Trends using data to buy and sell. Mergers & Acquisitions are picking up following a COVID-19 induced pause with valuations moving higher for quality assets. They welcome a healthy Merger & Acquisition to the market.

**Motion by Caron, seconded by Verhaeghe to receive and file the Reinhart Partners 4<sup>th</sup> Quarter 2020 Update dated March 16, 2021.**

Roll Call Vote

Ayes: All – 5

**4. ANDCO CONSULTING PRESENTATION**

Mr. Holycross explained the February 28<sup>th</sup> Flash Report stating that Small Cap Value is doing well and up 15% Year-To-Date (YTD). The economy is expanding and Value is outperforming Growth. He said rates have risen for Fixed Income.

The Total Fund is up 2.94% Quarter-To-Date (QTD) which is a great start for the first two months of the year. Equity Markets are up and QTD Seizert is up 6.87%, Edgewood is up 2.72%, and Vanguard 500 Index is up 1.73%. Hamlin Equity Income is up 5.40%, Small & Mid Cap Equities are up 10.94%, and International Equities are up .69%. Reinhart is down 1.36% QTD.

He said all performance is in line with expectations and there are overweights to equities.

**5. VANOVERBEKE, MICHAUD & TIMMONY, P.C. - none****6. OLD BUSINESS**

Mr. Verhaeghe said that Lisa Borgacz only has about seven years of service and asked how this works for the pension system as you need at least 10 years of service.

Mr. Michaud explained that under the Reciprocal Retirement Act, a person can use other governmental communities in meeting these years and it becomes vested with the combined years of these communities. Ms. Borgacz has about six years with St. Clair Shores and about four years with Mt. Clemens which makes her eligible for retirement under the St. Clair Shores Retirement System.

**7. NEW BUSINESS****a) MAPERS 2021 Spring Conference has been cancelled**

Ms. Kotowski stated there will be no MAPERS Spring Conference this year. She indicated she will be sending the Board any MAPERS webinars, in case they want to participate.

**b) Trustee Election to be held prior to June 1<sup>st</sup> (seat of Dale Verhaeghe)**

Ms. Kotowski mentioned that the seat of Mr. Verhaeghe is up on the General Employees Pension Board. Filing date will be April 20<sup>th</sup> and applicants will have to complete an Application of Candidacy. She stated that no one from Assessing can run for this seat per the ordinance requirement as Ms. Shipman is in the Assessing Department.

**c) Return to In-Person Meetings**

Mr. Walby indicated that this item should be revisited and placed on the June 2021 agenda under New Business.

**8. AUDIENCE PARTICIPATION** - none

**9. ADJOURNMENT**

**Motion by Caron, seconded by Verhaeghe to adjourn the meeting at 4:07 p.m.**

Roll Call Vote

Ayes: All – 5

**THE NEXT REGULAR MEETING IS SCHEDULED FOR TUESDAY, APRIL 20, 2021.**

Prepared by:  
Linda Fredal  
Recording Secretary

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