

**MINUTES
OF THE CITY OF ST. CLAIR SHORES
GENERAL EMPLOYEES' PENSION BOARD MEETING
April 18, 2023**

Regular Meeting of the General Employees' Pension Board, held in the Jefferson Conference Room located at 27600 Jefferson Avenue, St. Clair Shores, Michigan.

Present: John Caron, Vicky Shipman and Dale Verhaeghe

Absent &
Excused: Kip Walby

Also Present: Abrial Barrett; City Clerk, Tom Michaud; Attorney, Mike Holycross; AndCo Consultant, Dan DiDomenico; Edgewood Management, Charlie Garland; Hamlin Capital Management, Katie Bala; Recording Secretary

1. CALL TO ORDER

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

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

Ayes: All – 3
Absent: Walby

2. APPROVAL OF CONSENT AGENDA ITEMS

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

- a) Request to approve minutes of March 21, 2023 as presented
b) Request to approve payment of Invoices as of April 14, 2023

ANDCO (January – March 2023)	\$12,500.00
COMERICA BANK	\$4,993.98
HAMLIN CAPITAL MANAGEMENT, LLC (July – Sept 2022)	\$5,295.43
HAMLIN CAPITAL MANAGEMENT, LLC (Oct – Dec 2022)	\$5,950.85
JOHNSTON LEWIS ASSOCIATES	\$6,867.40
MAPERS	\$200.00
REINHART PARTNERS, INC.	\$11,390.00
SCP (SEIZERT CAPITAL PARTNERS)	\$6,285.00
Total	\$53,482.66

- c) Request to approve the Final Retirement Calculation Sheet for Dale Verhaeghe – final retirement date February 3, 2023

Ayes: All – 3
Absent: Walby

4. HAMLIN CAPITAL MANAGEMENT PRESENTATION

Mr. Holycross asked to switch the two presenters.

Mr. Garland said Hamlin Capital Management manages \$6.4 billion. They have \$3 billion in dividend paying stocks and \$3.5 billion in high-yield tax-exempt bonds. He also provided an overview of their structure and philosophy.

Mr. Garland gave a summary of how dividend paying stocks outperform. He noted that the dark green line indicates the companies that pay generous dividends and grow them annually, which includes the companies that Hamlin owns for us. He said they think the charts wide spread is due to the dividend payors doing better in down markets and when companies give generous dividends, they make better decisions about the future.

Mr. Garland explained the investment process and the screening metrics they use to identify generous dividend payors.

Item #4 Continued

These include the yield above the S&P 500 yield, manageable debt, free cash flow, and strong return on equity. They look for good companies that will grow over time.

Mr. Garland reviewed our portfolio history indicating the market value is at \$3.06 million and we are at 2.89% return through March 31, 2023. He discussed the annualized net of fees performance over different periods and noted that our performance compares well with the value index.

Mr. Garland explained with the recent bank failures, they had Key Bank, but sold them towards the end of this quarter. They think that there will be new regulations on the way.

Mr. Garland discussed the equity composite profile stating that the average P/E valuation looks good compared to the S&P 500 and the dividend yield is at 3.6%. He said 12 of our 25 companies have increased their dividend payments. The average increase is 8.7%. He mentioned how Hamlin outperformed 30 of the 32 months when the S&P 500 lost 5% or more.

Mr. Garland said the money from Key Bank went into Watsco, a Florida based distributor for H-Vac equipment. This is one of the best performing stocks. It is 70% residential and they are growing in commercial.

Motion by Caron, seconded by Verhaeghe to receive and file the Hamlin Capital Management Equity Income Strategy – 1st Quarter 2023 Update presentation dated April 18, 2023.

Ayes: All – 3

Absent: Walby

3. EDGEWOOD MANAGEMENT PRESENTATION

Mr. DiDomenico provided an overview stating that Edgewood has approximately \$31.9 billion in assets under management as of March 31, 2023. There are no changes in owners or partners and they continue to be privately owned. He explained changes to the investment team and discussed the difference in years of industry experience that will bring different perspectives.

Mr. DiDomenico gave a summary of their approach on how the 22-stock portfolio is focused on large cap growth companies in the United States. He said Edgewood defines qualities in companies that can finance their own growth, generates free cash flow, and has positive cash flow. Edgewood is diversified across sectors and across growth rates. He discussed how they spread the portfolio across three growth buckets: 1) steady 10%-15%, 2) traditional 16%-20%, and 3) 21% or higher.

Mr. DiDomenico indicated that 2022 was challenging for growth stocks. They have repositioned the portfolio and they are starting to see the positive effects of those changes. The first quarter performance was up 15.1%. The performance was driven by the fundamentals of the businesses owned as they were delivering positive results and holding onto the gains. The two new companies that were purchased this year were Airbnb and Eli Lilly and they sold Amazon and CME Group. He spoke about the allocation and transaction changes to keep the buckets balanced. He further explained the growth buckets and noted that 8% is the maximum they can hold for one name.

Motion by Caron, seconded by Verhaeghe to receive and file the Edgewood Management 1st Quarter 2023 Update presentation dated April 18, 2023.

Ayes: All – 3

Absent: Walby

5. ANDCO CONSULTING PRESENTATION – FLASH REPORT: INVESTMENT PERFORMANCE REVIEW PERIOD ENDING MARCH 31, 2023

Mr. Holycross gave an overview of the market performance and said we are still in compliance with the asset allocations. He discussed the performance and noted that we had a very good quarter at 5% return.

Motion by Caron, seconded by Verhaeghe to receive and file the AndCo Consulting March 31, 2023 Flash Report as presented by the Board's consultant.

Ayes: All – 3

Absent: Walby

6. VANOVERBEKE, MICHAUD & TIMMONY, P.C. - None

7. **OLD BUSINESS** - None
8. **NEW BUSINESS** - None
9. **AUDIENCE PARTICIPATION** - None
10. **ADJOURNMENT**

Motion by Verhaeghe, seconded by Caron to adjourn the meeting at 4:24 p.m.

Ayes: All – 3
Absent: Walby

THE NEXT REGULAR MEETING IS SCHEDULED FOR TUESDAY, MAY 16, 2023

Prepared by:
Katie Bala
Recording Secretary

Reviewed by:
Abrial J. Barrett
City Clerk / Secretary to GEPB