

Investment Advisory Committee Meeting  
October 21, 2010

Members in Attendance:

Edward Leonard, Franklin County Treasurer  
Zak Talarek, Designee for Commissioner Paula Brooks  
Don Brown, Designee for Commissioner John O'Grady  
Shawn Rieder, Designee for Clerk of Courts, Maryellen O'Shaughnessy

Guests in Attendance:

Dennis Yacobozzi, President UACC  
Kevin Klingel, Vice President UACC  
Emily Perkins, Investment & Cash Management Officer, FCT

**Call to Order**

Treasurer Leonard called the third quarter meeting of the Franklin County Investment Advisory Committee (IAC) to order at 2:05 p.m.

**Approval of Minutes**

The first order of business was to approve the minutes from the July 15, 2010 meeting. Zak Talarek moved to accept the minutes and Shawn Rieder seconded the motion. Minutes were approved.

**Approval of Resolution**

The next order of business was to approve Resolution 2010-10 to add a broker dealer – Jim Bowman of JP Morgan Chase Securities. Treasurer Leonard read the resolution and circulated the copy for signatures. Zak Talarek moved to accept the resolution and Shawn Rieder seconded the motion.

**Economic Outlook**

At this time Treasurer Leonard turned the meeting over to Dennis Yacobozzi who presented an update on the economic outlook for the County.

The economy is growing but much slower than anticipated. This was a serious recession compared to the recession of the early 80's which took several years to recover. Unemployment is not going to decline until the economy grows quicker – 1 ½ to 2% slated for next year. Interest rates have gone down significantly but we're on course with our interest revenue projection for 2010. The economy will grow very slow – unemployment at 9.6% will remain high; tax revenues will continue to fall off, rates will remain at this level for at least another year. These will be very trying times not only now but in the future.

Don Brown asked if the State Pension Funds are able to react differently to the current interest rate. Mr. Yacobozzi said yes they do, because they are more widely diversified. By law, they are tremendously diversified, not only with an asset type of security, exposed to fixed income and always have been. The value of their portfolio is higher as a result of owning fixed income long term, two or three years ago. They are in better shape but there is still a serious underfunding issue in those pension portfolios across the country.

Mr. Jacobozzi briefly reviewed the Core Portfolio Analysis showing continued lower interest rates in 2<sup>nd</sup> Qtr, 3<sup>rd</sup> Qtr and probably 4<sup>th</sup> Qtr. The market has had three huge declines in the shape of the curve this year. The Feds would like to see more inflation; having more inflation versus deflation helps us get out of the current situation

We're still holding onto a 2% yield – average maturity goes out beyond two years. Historically it takes years when there is a serious recession and unless you have significant economic growth, you can't possibly bring jobs back. Now we need 5 – 6% growth per year just to start ratcheting down that 9.6% to 8 or 7% and we don't have that. Most importantly, the interest income is used to bolster the county's account.

#### **Bond Proceed Portfolio Review**

Mr. Kevin Klingel reviewed the Bonds Proceeds Portfolio handout showing the benefits to the county by blending smaller bond issues into our existing portfolio. The portfolio age went to one half of the maturity we had even though we continue to reinvest out into one year paper as we have funds available. The drop in rates all across the curve, especially in money markets went from nearly 50 basis points to 25 basis points.

Portfolio shows \$42 million in assets and currently \$5 million in cash. For the assets, they utilize agency discount notes quite heavily and the balance in non-callables. The graph showed that inside nine months, new money will move out into next year and they are prepared for short money to be used to fund current liabilities.

Ms. Perkins then reviewed the Liquid Portfolio handout stating that we are earning at an average of 20 basis points. She reviewed the interest earnings and noted that with interest rates so low, three banks have pulled away. Interest earnings are on core and liquid only. The last couple CD's have matured and the Current State of Earnings for 3<sup>rd</sup> Quarter is \$3,970,654.51 with a YTD Income of \$14,186,814.48. We are on track for \$19MM in investment earnings for 2010.

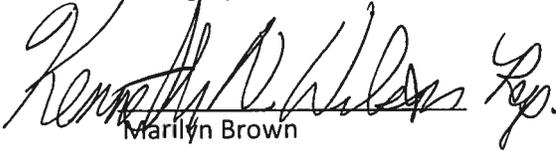
#### **Future Meeting**

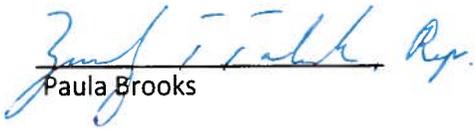
With no further discussion, Treasurer Leonard set the next meeting date for the 4<sup>th</sup> Quarter on January 20, 2011 at 2:00 p.m. Zak Talarek moved to adjourn the meeting and Shawn Rieder seconded the motion. Meeting was adjourned.

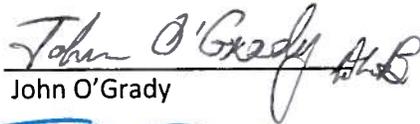
Submitted by Janet Brown

Minutes were approved on January 27, 2011

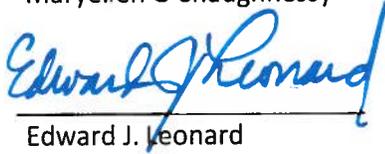
Voting Aye thereon:

  
Marilyn Brown

  
Paula Brooks

  
John O'Grady

  
Maryellen O'Shaughnessy

  
Edward J. Leonard

Voting Nay thereon:

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Marilyn Brown

\_\_\_\_\_  
Paula Brooks

\_\_\_\_\_  
John O'Grady

  
Maryellen O'Shaughnessy

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Edward J. Leonard