

Investment Advisory Committee Meeting
January 27, 2011

Members in Attendance:

Ed Leonard, Franklin County Treasurer
Zak Talarek, Designee for Commissioner Paula Brooks
Ken Wilson, Designee for Commissioner Marilyn Brown
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 fourth quarter meeting of the Franklin County Investment Advisory Committee (IAC) to order at 2:00 p.m.

Approval of Minutes

The first order of business was to approve the minutes from the October 21, 2010 meeting. Zak Talarek moved to accept the minutes and Shawn Rieder seconded the motion. Minutes were approved.

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.

A brief review of 2010 indicated that during the first part of the year, interest rates drifted high and that was in anticipation of the Fed's prior announcement that they no longer would be purchasing treasury and agency assets in their asset purchase program. They did stop at the end of March but as the year went on and unemployment did not improve, in August they re-engaged the asset purchase program which turned the bond market around. In late summer, interest rates began to decline again and a lot of bonds in the portfolio were called. But as the year came to an end, bond prices rallied considerably and yields declined about 50 basis points; however, QE2 is not having the same impact [from an interest rate perspective] compared to QE1. The economy continued to expand and interest rates began to move higher toward the end of the year as shown in the graphics that were handed out.

Going into 2011 we continue to maintain the portfolio's average duration. In fact, after discussions with the Treasurer, it has been our view that, although extending the portfolio's average duration is not the strategy, prematurely shortening the duration would be too costly in terms of income. There is always a certain desire to generate as much income as we can, but moving out further on the curve would create additional market value risk as rates begin to move higher. Upward pressure on rates is likely during 2011, with the Fed probably moving sometime during 1QTR12. We'll be somewhere in the 2 - 2 ½ year average maturity area in order to generate as much income as we can.

As a matter of perspective, the Yield Curve graphics compare Year End 2008 with Year End 2010, illustrating the significant decline in yields. Despite economic conditions, the portfolio continues to remain stable in terms of size.

Bond Proceed Portfolio Review

Mr. Kevin Klingel reviewed the Bonds Proceeds Portfolio handout which reports the Book Value of the Investments at \$35M; \$17.5M matured during the period and interest income of \$69,418.05. The graphics are very short to prepare for expenditures.

Ms. Perkins then reviewed the Liquid Portfolio handout which illustrated the breakdown of where the money is deposited; the effective rate of return is high due to being with Chase (45 basis points). Interest earnings for that quarter were \$133,054.10.

The current state of earnings for 4th Quarter is \$5,031,952.50 with a YTD 2010 income of \$19,010,432.30.

Mr. Wilson asked if any consideration had been given to adding or removing Broker/Dealers. Treasurer Leonard stated not at this point but will consider if the need arises. Ms. Perkins mentioned that no removals but a few had requested RFPs.

Treasurer Leonard mentioned that Commissioner Brown has asked if we could buy more Israel Bonds. He stated that we've actually expanded in 2010 to an additional half million worth of State of Israel bonds. Due to state law, our portfolio is limited to 1% of the average portfolio size. In December the percentage dropped to .6% then came back up once we renewed the maturity at the first of the year that had been previously purchased.

Future Meeting

With no further discussion, Treasurer Leonard set the next meeting date for 1st Quarter on April 21, 2011 at 2:00 p.m. Zak Talarek moved to adjourn the meeting and Ken Wilson seconded the motion. Meeting was adjourned.

Submitted by Janet Brown

Minutes were approved on April 21, 2011

Voting Aye thereon:

Voting Nay thereon:

Marilyn Brown

Marilyn Brown



Paula Brooks

Paula Brooks

John O'Grady


John O'Grady

John O'Grady

Maryellen O'Shaughnessy


Edward Leonard

Maryellen O'Shaughnessy

Edward Leonard