

Investment Advisory Committee Meeting

October 25, 2012

Members in Attendance:

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

Guests in Attendance:

Kevin Klingel, Vice President UACC
Jim McCourt, UACC
Emily Perkins, Investment & Cash Management Officer, FCT

Call to Order

Treasurer Leonard called the 2012 third 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 July 19, 2012 meeting. Zak Talarek moved to accept the minutes and Shawn Rieder seconded the motion. Minutes were approved.

Economic Outlook

Treasurer Leonard then asked Mr. Klingel to update the group on the economic outlook. Mr. Klingel informed the group that during the third quarter, interest rates moved lower, the yield curve continued to flattened, and there was a contraction in federal agency yield spreads. As a result, reinvestment rates are considerably lower, and this will negatively impact investment income for 2013 and beyond. Mr. Klingel gave examples of current market rates, noting that two year agency paper offer essentially a zero spread vs. Treasury issues, and that two-year Treasury notes were purchased in October for the first time in years, based on market conditions. Additionally, we see yield spreads of only five basis points at three years and ten basis points out to five years, combined with the fact that the two to five year yield curve is currently 42-44 basis points; compared to approximately 70 basis points early this year, and nearly 150 in the spring of 2011. Finally, the Fed has extended the outlook for low interest rates into 2015.

While the upside is that the County's assets continue to increase in market value, reinvestment rates look to be even lower as we move forward. By extending the average portfolio maturity over the last few years, the County has maximized investment earnings, but the flatter yield curve and tighter yield spreads will limit the benefits of this strategy going forward. Mr. Klingel indicated that as we move forward, we will continue to focus on three year to five year callable

federal agency issues, but we will also use shorter maturity and non-callable assets, including Treasury issues to limit any further extension of portfolio maturity.

Mr. Klingel reviewed the Q3 report stating that after the maturity of \$200M commercial paper from real estate tax collections, the County's core portfolio is back to the usual approximately \$900M, and that the portfolio yield remains over 1%. Treasurer Leonard asked about additional commercial paper purchases, and Mr. Klingel noted that while commercial paper yields remain attractive versus other money market securities, we have not elected to add those types of assets to the core portfolio, except in special situations. However, commercial paper is likely to be used in the core portfolio when rates begin to move higher.

Mr. Brown mentioned an opportunity for investing to make improvements in satellite libraries. Suggested someone contact Pat Losinski, CEO of the Columbus Metropolitan Library. Much discussion followed.

Mr. Klingel then reviewed the Bonds Proceeds Portfolio. Everything has since gone to cash. Zak Talarek mentioned that he received the draw schedule from PFM which was \$3 - \$3.5M by end of year.

Emily discussed the liquid portfolio – we have \$82M the end of third quarter. Questions were asked about commercial paper:

US Bank – commercial paper; Huntington/JPMorgan Chase – hi-yield savings (cash); Star Ohio and Money Market funds

The earnings for this quarter were \$44,000.

The 3rd Quarter Income was \$2.3M and the YTD Income was \$8.1M.

Future Meeting

With no further discussion, Treasurer Leonard set the next meeting date for January 24, 2013 at 2:00 p.m. Zak Talarek moved to adjourn the meeting and Don Brown seconded the motion. The meeting was adjourned.

Voting Aye thereon:

Don L. Brown, Designee
John O'Grady

Kenneth Wilson, Rep
Marilyn Brown

Paula Brooks, Designee
Paula Brooks

Phil DES/WEZ
Maryellen O'Shaughnessy

Edward J. Leonard
Edward J. Leonard

Voting Nay thereon:

John O'Grady

Marilyn Brown

Paula Brooks

Maryellen O'Shaughnessy

Edward J. Leonard