

**PITT COUNTY BOARD OF COMMISSIONERS
GREENVILLE, NORTH CAROLINA
JANUARY 12, 2000**

The Pitt County Board of Commissioners met in a workshop session on Wednesday, January 12, 2000, at 9:00 a.m. in the Emergency Operations Center, Pitt County Office Building, Greenville, North Carolina with the following commissioners present:

Charles P. Gaskins, Chairman
David Hammond, Vice Chairman
Glenn Bowen, Commissioner
Eugene James, Commissioner
Thomas H. Johnson, Commissioner
Mark W. Owens, Jr., Commissioner
Jeffrey E. Savage, Commissioner (resignation effective January 11, 2000)
M. Theresa Shank, Commissioner
Beth B. Ward, Commissioner

Also present were:

Thomas B. Robinson, County Manager
JoAnne Burgdorff, County Attorney (left at 9:30 a.m.)
Susan J. Banks, Clerk to the Board
Arlen Holt, PIO and Cable Coordinator
John K. Bulow, Assistant Manager

Chairman Gaskins called the meeting to order.

Commissioner Hammond gave the invocation.

Commissioner Johnson led in the pledge of allegiance.

Approval of the Agenda

UPON MOTION by Chairman James, seconded by Commissioner Hammond, the Board voted unanimously for approval of the agenda as presented.

INVESTMENT WORKSHOP

Mr. Robinson stated that the purpose of this workshop was an education session on how to seek higher yielding instruments on investments. He stated that Pitt County has received approval from the General Assembly to use the money from the transfer of Pitt County Memorial Hospital to invest in higher yielding instruments. He stated that he wanted to assure that the Board was comfortable with moving forward with this program of investments.

Mr. Robinson introduced Dr. Joe Kiely as the presenter. He stated that Dr. Kiely does seminars for county employees on educating them on how invest their retirement

funds within the system and options provided. Mr. Robinson stated that request for proposals will be prepared following this meeting and concurrence from the Board.

Mr. Robinson stated that Dr. Kiely was previously a professor at East Carolina University who now does teaching and has his own investment firm.

Commissioner Owens introduced others that were present. He stated that he had informed several other investment representatives and introduced Carl Blackwood and Michael Owens who were present.

Dr. Kiely stated that he does seminars at Pitt Community College and anyone who would be interested in more information was welcome to attend his seminar at Pitt Community College. He stated that he has been teaching the same message for years and that is that people just need to be educated on how to invest and then they will be empowered.

He stated that the stock market, if used correctly, it can be a successful tool. He said he knew that the Board would be concerned about accountability. He stated that people need to understand how to read the Morning Star which is information that is publicly available.

He reviewed the investment options being considered as follows: Money Market, Stocks, and Bonds.

Dr. Kiely stated that there was a new law adopted last year which states that one year holding of stocks, will be taxed at 20%. He stated that if or when hiring someone to manage your stocks, they should provide a value which is over the benchmark for that stock or investment. He stated the following:

- Look at benchmarks of index before you invest for accountability
- Mutual funds or money managers
 - ⇒ a mutual fund provides diversification which decreases risk
 - ⇒ professional managers should be used

Dr. Kiely said that he likes fifteen professional managers because he knows that they communicate with the CEO's of companies they invest in on a regular basis. He said to invest in the stock market you should consider and understand the following:

- need to have a long term horizon for investing in the stock market; 10 years preferable; but 5-7 years is acceptable
- have to factor in the dips in the stock market
- take advantage of dips and buy stocks
- currently the interest on bonds and stocks is too low

Commissioner James left early, around 10:20 a.m.

Dr. Kiely further stated that you should:

- Look for specialist in different sectors of the market (Money Managers)

- Need to have the following managers targeted:
 - ◆ 1 large growth manager
 - ◆ 2 large value manager
 - ◆ 3 small growth manager
 - ◆ 4 small value manager
 - ◆ 5 technology manager

He said the benchmark is the average. Fees for investments should be reviewed. Mutual Funds or Private Money Managers have several different kind of fees.

Dr. Kiely said it should cost nothing up front to invest with a money manager, and you should be able to leave without a fee. He said you should pay as you go along for services. He stated that these people should be held accountable. He said he does not believe in paying up front fees including commissions, transaction costs and loads. Managers of mutual funds usually charge around 1.5% for management fee but you should want them to beat their benchmark and pay their own fee. However, you can get lower fees. He said not to pay 12b-1 fee or transaction costs.

Commissioner James returned at 11:05 a.m.

Dr. Kiely stated that you should ask people for a Morning Star sheet and look for Money Managers own funds and check their track record. He recommended the Money Manager's have at least ten years of experience running that fund or being a money manager.

He suggested that you should consider each of the following:

1. Track record
2. Beat a Benchmark - Large - S&P 500; Small - R2000; Tech - Nasdaq 100; and B -
3. Be well diversified
4. Have a manager in each area
5. Do not pay upfront fee, back fee, or 12b-1 fee
6. Willing to pay a management fee

He stated that most money managers only charge 1% fee each year.

Dr. Kiely recommended the Morning Star as unbiased. He used Putnam A and VanGuard as examples to show how to judge the money managers. He said the larger the account, the lower the yearly fee should be to the investor. He said you work with me for 3 months and see how I perform. You need to go to a financial planner.

Commissioner Shank had to leave early 11:30 a.m.

Dr. Kiely stated that he was willing to answer any questions and feel free to call him.

Commissioner Savage had arrived earlier.

Dr. Kiely thanked the Board for allowing him to speak to the Board today and to educate the Board members about investing.

Mr. Robinson said that the Board needs to look at the \$30 million from the Hospital transfer and it needs to be invested wisely in higher yields. He stated that the County also has a fund balance that has been built up to 18%. He said he would like to get to 20% in the fund balance but would like to use hospital money as an endowment to make money and then only spend the profits from the investment. We are currently earning 4.5% - 6% on the money. He said the County should not spend everything that is made but would have a fund balance to draw from. He stated that he and Ms. Bryan would like to make some suggestions about the criteria for money managers. Ms. Bryan stated they plan to use a request for proposals and they are looking at how the Hospital does their portfolio. She expressed that the financials will reflect whatever is current in the market and this may affect the County's financials at budget time.

UPON MOTION by Commissioner Owens, seconded by Chairman James, for the Manager, Finance Officer and the staff to bring back to the Board the request for proposals for approval prior to releasing them. Ms. Bryan stated that \$22.5 million is currently invested and that September, 2000 all of the funds will have matured and can be reinvested. Chairman James called for the question. Commissioner Bowen asked if it was mandatory to invest in long range investments. Mr. Robinson stated that it would be a Board decision as to how long they want to invest the funds.

Commissioner Bowen said he would never vote to raise taxes as long as the citizens have \$30 million in the bank or in investments.

Chairman Gaskins called for a vote on the motion and it passed unanimously.

UPON MOTION by Commissioner Johnson, seconded by Commissioner Hammond, the Board voted unanimously to adjourn the meeting at 11:45 a.m.

Respectfully submitted,

Susan J. Banks, CMC
Clerk to the Board