

August 29, 2014

Members of the Board Finance Committee

Roger Herrin, Chair
Donna Manering
Mitch Morecraft
Randal Thomas

Dear Members of the Finance Committee:

There will be a meeting of the Finance Committee immediately following the Academic Matters Committee on Thursday, September 11, 2014, in the Conference Center, 2nd Floor, in the Delyte W. Morris University Center, Southern Illinois University Edwardsville, Edwardsville, IL. The following items have been suggested for the agenda:

1. Approval of Minutes of the July 24, 2014, meeting (enclosure).
2. Southern Illinois University School of Medicine Salary Increase Plan for Fiscal Year 2015 (Board Agenda Item K).
3. Approval of Fiscal Year 2015 Operating and Capital Budgets (joint discussion with Architecture and Design Committee) (Board Agenda Item L).
4. Operating and Capital RAMP Guidelines and Executive Summary: Resource Allocation and Management Program (RAMP) Planning, Operations, and Capital Budget Request, Fiscal Year 2016 (joint discussion with Architecture & Design and Academic Matters Committees) (Board Agenda Item M).
5. Award of Contract: Head Start Bus Service, SIUE (Board Agenda Item T).
6. Authorization to Purchase Electricity, Carbondale and Edwardsville Campuses, SIU (Board Agenda Item U).
7. Approval of Salary of Interim Vice Chancellor for Research, SIUC (Refer to Board Agenda Item V).

8. Approval of Salary: Acting Provost and Vice Chancellor for Academic Affairs, SIUC (Refer to Board Agenda Item W).
9. Approval of Salary of the Director of the School of Accountancy, College of Business, SIUC (Refer to Board Agenda Item X).
10. Approval of Salary: Executive Director of Information Technology, Springfield Medical Campus, SIUC (Refer to Board Agenda Item Y).
11. Other business.

Enclosed is the FY 14 Fourth Quarter Investment Report.

Yours truly,

Duane Stucky
Senior Vice President for Financial and Administrative Affairs
and Board Treasurer

DS/lap

Enclosures

cc: Don Lowery
Shirley Portwood

Joel Sambursky
Marquita Wiley
Randy J. Dunn

Julie Furst-Bowe
Paul Sarvela
Other Interested Parties

BOARD OF TRUSTEES

SOUTHERN ILLINOIS UNIVERSITY

Minutes of the Finance Committee Meeting

July 24, 2014

The Finance Committee met following the Academic Matters Committee in the Auditorium, 801 N. Rutledge, Southern Illinois University School of Medicine, Springfield, IL. Present were: Roger Herrin (Chair), Donna Manering and Randal Thomas. Other Board members present were: Don Lowery, Mitch Morecraft, Joel Sambursky and Marquita Wiley. Absent was: Shirley Portwood. Executive Officers present were: President Randy J. Dunn; Acting Chancellor Paul Sarvela, SIUC; Chancellor Julie Furst-Bowe, SIUE; Interim General Counsel Lucas Crater; and Senior Vice President for Financial and Administrative Affairs and Board Treasurer Duane Stucky.

Minutes

Trustee Thomas recommended approval of the minutes of the May 8 and June 24, 2014, meetings as submitted. The motion was seconded by Trustee Manering and passed by the Committee.

Proposed Replacement of the Board of Trustees 5 Policies J Electronic Information Systems Privacy Issues and Statement of Ethics and K Information Technology: Operations Policy at Southern Illinois University [Replacement of 5 Policies of the Board J and K] (Board Agenda Item K).

President Dunn introduced SIUC Assistant Provost and Chief Information Officer David Crain, who provided background information to the Board and spoke about security procedures that have been put into effect. In response to questions by Trustee Herrin, Mr. Crain indicated that this is a first step in following current industry best practices in data security and that this will be an ongoing effort. President Dunn stated that Information Technology policies and procedures are heavily scrutinized in audits and that progress updates to the Board can be made if desired. Trustee Wiley pointed out that this action will meet the requirement of having a policy in place but may not ensure that necessary processes and procedures are adhered to. Assistant Provost Crain and President Dunn addressed her concerns regarding the resources needed for these initiatives and the repercussions of not having these controls in place. Trustee Manering mentioned the importance of the training function for faculty and staff regarding data security.

Trustee Thomas recommended approval of the matter and that it be placed on the Board's agenda. The motion was duly seconded by Trustee Manering and was passed by the Committee.

Proposed Revisions to 5 Policies of the Board G (Travel Regulations) (Board Agenda Item L).

President Dunn and Interim General Counsel Lucas Crater reviewed the need to document the procedure for approval of the President's travel reimbursements by the Board through the Executive Committee. President Herrin expressed his support of the new policy.

Trustee Manering recommended approval of the matter and that it be placed on the Board's agenda. The motion was duly seconded by Trustee Thomas and was passed by the Committee.

Approval of Purchase: Investment Management Services, Southern Illinois University (Board Agenda Item M).

President Dunn and Senior Vice President Stucky reviewed the selection process and the recommendation of the top firm.

Trustee Thomas recommended approval of the matter and that it be placed on the Board's agenda. The motion was duly seconded by Trustee Manering and was passed by the Committee.

Reorganization of Office of Institutional Diversity and Inclusion From Office of Provost and Vice Chancellor for Academic Affairs To Office of the Chancellor, SIUE (Board Agenda Item N).

Trustee Thomas recommended approval of the matter and that it be placed on the Board's agenda. The motion was duly seconded by Trustee Manering and was passed by the Committee.

Reorganization of East St. Louis Center From Office of the Provost and Vice Chancellor for Academic Affairs To Office of the Vice Chancellor for Administration, SIUE (Board Agenda Item O).

Trustee Thomas recommended approval of the matter and that it be placed on the Board's agenda. The motion was duly seconded by Trustee Manering and was passed by the Committee.

Other Business.

There being no further business, the meeting was adjourned.

DS/lap

August 29, 2014

Members of the Board Finance Committee

Roger Herrin, Chair
Donna Manering
Mitch Morecraft
Randal Thomas

Dear Members of the Finance Committee:

The Illinois Public Funds Investment Act requires that the Board receives investment reports on SIU cash investments periodically. Board of Trustees Bylaws assign the responsibility for reviewing investment reports to the Finance Committee.

Attached is an investment report for the last quarter of Fiscal Year 2014, the last full quarter that our previous investment manager, Western Asset Management Company, was responsible for our funds.

SIU's Intermediate Fund portfolio managed by Western Asset Management Company posted a return of 0.94% for the quarter. This return compares favorably to the benchmark return of 0.91% for the same period.

Yours truly,

Duane Stucky
Senior Vice President for Financial and Administrative Affairs
and Board Treasurer

DS/lap

Attachment

cc: Don Lowery
Shirley Portwood

Joel Sambursky
Marquita Wiley
Randy J. Dunn

Julie Furst-Bowe
Paul Sarvela
Other Interested Parties



Southern Illinois University

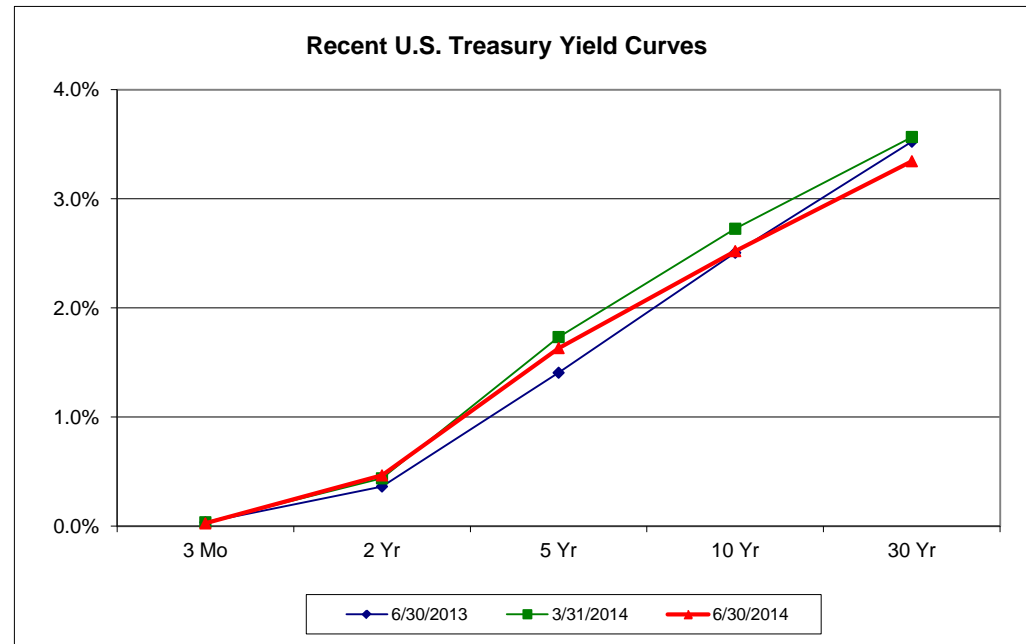
Quarterly Investment Report
June 30, 2014

Performance Analysis

Treasury yields generally decreased for the quarter ending June 30, 2014, in 5 to 30 year maturity range. The yields on the 5-year, 10-year and 30-year maturities fell 10, 21 and 22 basis points, respectively, for the quarter, while 2-year T-Notes rose 3 bp. Treasury yields are quite similar to where they stood a year ago (compare red vs. blue lines at right), somewhat higher in 5 years and somewhat lower in 30 years. Benchmark Treasury yields, particularly the 10 and 30-year maturities, have steadily declined so far this year despite consensus expectations that rates would be higher for the year. Moderate economic growth coupled with international crises have contributed to lower long-term yields.

The decline in interest rates in medium to long maturities generated capital gains on SIU's longer dated assets leading to a positive overall return for the quarter. SIU's combined portfolio return of 0.33% for the 2nd quarter adds to the 0.25% 1st quarter return of 2014. The Intermediate Fund managed by Western Asset Management Company ("WAMCo") posted a 2nd quarter of 2014 return of 0.94%, consisting of 0.19% in current income return (after fees), plus a price or capital gain of 0.75%. This 0.94% return compares favorably to the quarterly benchmark return of 0.91% on the Barclay's Intermediate U.S. Government Securities Index for the same period. The short-term return on SIU's liquid funds remained low at 0.011% for the quarter due to rock bottom yields in the money markets.

SIU's combined portfolio return of 0.33% for the quarter ending 6/30/2014 compares favorably to the weighted benchmark return of 0.31%. For the fiscal year ending 6/30/14, SIU's combined portfolio return of 0.70% again compares favorably to the weighted benchmark of 0.53% for the year.



Operating Investments

Operating Investment Position

Investment Balance

Market Value (\$ in millions)

	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014
State Treasury Fund (Money Market Mutual Fund)	\$ 99.6	\$ 165.6	\$ 126.2	\$ 179.4	\$ 109.6
The Bank of Edwardsville (Money Market Account)	25.0	25.0	25.0	25.0	25.1
MB Financial (Money Market Account)	25.0	25.0	25.1	25.1	25.1
Subtotal Cash & Cash Equivalents	<u>\$ 149.6</u>	<u>\$ 215.6</u>	<u>\$ 176.3</u>	<u>\$ 229.5</u>	<u>\$ 159.8</u>
Western Asset - Intermediate Portfolio	103.9	104.4	104.1	104.9	105.9
Total Portfolio	<u>\$ 253.5</u>	<u>\$ 320.0</u>	<u>\$ 280.4</u>	<u>\$ 334.4</u>	<u>\$ 265.7</u>
Due from State	60.5	55.2	82.8	79.7	50.6
Total Portfolio including Due from State	<u>\$ 314.0</u>	<u>\$ 375.2</u>	<u>\$ 363.2</u>	<u>\$ 414.1</u>	<u>\$ 316.3</u>

Market Value Change (\$ in millions)

	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014
Beginning Market Value	\$ 254.9	\$ 253.5	\$ 320.0	\$ 280.4	\$ 334.4
Deposits (Withdrawals)	0.3	65.9	(39.3)	53.1	(69.7)
Interest Income, Net of Fees	0.4	0.4	0.3	0.3	0.2
Realized Gain (Loss)	1.4	(0.2)	0.2	1.3	0.1
Unrealized Gain (Loss)	(3.5)	0.4	(0.8)	(0.7)	0.7
Ending Market Value	<u>\$ 253.5</u>	<u>\$ 320.0</u>	<u>\$ 280.4</u>	<u>\$ 334.4</u>	<u>\$ 265.7</u>

Operating Performance

Quarterly Performance

	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014
State Treasury Fund (Money Market Mutual Fund)	0.01%	0.00%	0.01%	0.00%	0.00%
Benchmark: Ready Assets Prime MMF	0.00%	0.00%	0.00%	0.00%	0.00%
The Bank of Edwardsville (Money Market Account)	0.04%	0.04%	0.04%	0.04%	0.04%
Benchmark: Ready Assets Prime MMF	0.00%	0.00%	0.00%	0.00%	0.00%
MB Financial (Money Market Account)	0.03%	0.03%	0.03%	0.03%	0.03%
Benchmark: Ready Assets Prime MMF	0.00%	0.00%	0.00%	0.00%	0.00%
Western Asset Intermediate Portfolio	-1.59%	0.47%	-0.26%	0.75%	0.94%
Benchmark: Barclays Capital Int U.S. Govt	-1.37%	0.40%	-0.42%	0.64%	0.91%
Total Portfolio	-0.64%	0.18%	-0.08%	0.25%	0.33%
Total Benchmark	-0.55%	0.15%	-0.15%	0.20%	0.31%

Historical Annual Performance

	FY2010	FY2011	FY2012	FY2013	FY2014
Total Portfolio	3.01%	1.26%	1.74%	-0.25%	0.70%
Benchmark	2.97%	1.08%	1.85%	-0.24%	0.53%

Asset Allocation

Asset Allocation
As of June 30, 2014

	Market Value (in millions)	Allocation Percentage	Target Asset Allocation (in millions)
State Treasury Fund (Money Market Mutual Fund)	\$109.6		
The Bank of Edwardsville (Money Market Account)	25.1		
MB Financial (Money Market Account)	25.1		
Subtotal Cash & Cash Equivalents	\$159.8	60%	\$40 Minimum
Western Asset - Intermediate Term Portfolio	105.9	40%	\$65-115
Total Portfolio	\$265.7		

Fees

Investment Manager Fees*

	Basis Points As of 3/31/14	6/30/2013	9/30/2013	12/31/2013	3/31/2014	Four Quarter Total
State Treasury Fund (Money Market Mutual Fund)	8.2	\$ 21,704	\$ 26,427	\$ 26,419	\$ 35,262	\$ 109,812
Western Asset - Intermediate Term Portfolio	25.0	64,029	63,752	63,927	64,058	255,766
Total Investment Manager Fees		\$ 85,733	\$ 90,179	\$ 90,346	\$ 99,320	\$ 365,578

Custody Bank Fees*

	6/30/2013	9/30/2013	12/31/2013	3/31/2014	Four Quarter Total
JP Morgan Chase	\$ 5,275	\$ 5,061	\$ 5,237	\$ 5,236	\$ 20,809

* Fees for the current quarter were not available at the time this report was prepared. All fees are reflected on an accrual basis.

Note: There are no fees associated with the money market accounts at The Bank of Edwardsville and MB Financial.

Capital Investments

Capital Investments Position

Investment Balance

Market Value (\$ in millions)

	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014
Housing & Auxiliary Facilities System					
Construction Proceeds	10.9	2.4	0.9	0.3	0.2
Interest Sinking Fund	7.6	14.2	15.4	22.1	7.6
Debt Service Reserve	8.3	8.3	8.3	8.3	8.3
Total HAFS	26.8	24.9	24.6	30.7	16.1
Medical Facilities System					
Construction Proceeds	0.0	0.0	0.0	0.0	0.0
Interest Sinking Fund	0.4	0.9	1.0	1.4	0.5
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total MFS	0.4	0.9	1.0	1.4	0.5
Certificates of Participation					
Construction Proceeds	0.0	0.0	0.0	24.8	23.0
Interest Sinking Fund	0.0	0.0	0.0	0.0	0.0
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total COPS	0.0	0.0	0.0	24.8	23.0
Total Capital Investment Portfolio	\$ 27.2	\$ 25.8	\$ 25.6	\$ 56.9	\$ 39.6

Capital Investments are managed internally and are invested in high quality, low risk government securities. The investment maturity, rate of return and type are limited by covenants in the debt financing documents.