

January 30, 2009

Members of the Board Finance Committee

Keith Sanders, Chair
John Simmons
Roger Tedrick
Stephen Wigginton
Marquita Wiley

Dear Members of the Finance Committee:

There will be a meeting of the Finance Committee immediately following the Academic Matters Committee on Thursday, February 12, 2009, in Ballroom B of the Student Center, Southern Illinois University Carbondale, Carbondale, IL. The following items have been suggested for the agenda:

1. Approval of Minutes of the December 11, 2008, meeting (enclosure).
2. Changes to Purchasing Policies [Amendments to 5 Policies of the Board C] and Change to Property and Physical Facilities Policies [Amendment to 6 Policies of the Board B] (Joint discussion with Architecture and Design Committee) (Board Agenda Item K).
3. Approval of Purchase: Limestone, Carbondale Campus, SIUC (Board Agenda Item O).
4. Approval of Purchase: Limestone Hauling Services, Carbondale Campus, SIUC (Board Agenda Item P).
5. Investments Report (enclosure).
6. Other business.

Yours truly,

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

DS/lap

Enclosures

cc: Frank William Bonan II Demetrous White Vaughn Vandegrift
Ed Hightower Glenn Poshard Constituency Heads
Amber Suggs Sam Goldman Other Interested Parties

BOARD OF TRUSTEES

SOUTHERN ILLINOIS UNIVERSITY

Minutes of the Finance Committee Meeting

December 11, 2008

The Finance Committee met following the Academic Matters Committee in Ballroom B of the Student Center, Southern Illinois University Carbondale, Carbondale, IL. Present were: Keith Sanders (Chair), John Simmons (by phone), Roger Tedrick, Steve Wigginton and Marquita Wiley. Other Board members present were: Frank William Bonan II, Ed Hightower (by phone), Amber Suggs and Demetrous White. Executive Officers present were: President Glenn Poshard; Interim Chancellor Samuel Goldman, SIUC; Chancellor Vaughn Vandegrift, SIUE; Vice President for Academic Affairs John S. Haller, Jr.; and Senior Vice President for Financial and Administrative Affairs and Board Treasurer Duane Stucky.

Minutes

Steve Wigginton recommended approval of the minutes of the September 11, 2008, meeting as submitted. Roger Tedrick seconded the motion, and it was passed by the Committee.

Alternate Tuition Rate: Geographical Enhancement Program, SIUC [Addition to 4 Policies of the Board B, Appendix A, 1 Note 1] (Board Agenda Item K).

Alternate Tuition Rate: Geographical Enhancement Program, SIUE [Addition to 4 Policies of the Board Appendix B, 1 Note 5] (Board Agenda Item L).

Vice President Stucky reviewed the proposals.

Marquita Wiley recommended approval of the matters and that they be placed on the Board's omnibus motion. The motion was duly seconded by Steve Wigginton and was passed by the Finance Committee.

Approval of Purchase: Modular Carpet and Adhesive, Carbondale Campus, SIUC (Board Agenda Item O).

Vice President Stucky stated that Items O and P are large expenditures being brought to the full Board in lieu of Executive Committee approval.

Marquita Wiley recommended approval of the matter and that it be placed on the Board's omnibus motion. The motion was duly seconded by Steve Wigginton and was passed by the Finance Committee.

Approval of Purchase: Telephone System Upgrade and Maintenance Contract, SIUC (Board Agenda Item P).

Marquita Wiley recommended approval of the matter and that it be placed on the Board's omnibus motion. The motion was duly seconded by Steve Wigginton and was passed by the Finance Committee.

Reorganization of Executive Director of Administration and Executive Director of Finance into Newly Created Vice Chancellor for Administration and Finance Responsibility Area, SIUC (Board Agenda Item V).

President Poshard asked that Board Item V be withdrawn at this time.

Executive Director of Audits Position, Internal Audit.

President Poshard requested Finance Committee approval of the appointment of Kim Labonte to the position of Executive Director of Audits at a salary of \$110,000. Ms. Labonte was introduced to the Board.

Marquita Wiley recommended approval. The motion was duly seconded by Steve Wigginton and was passed by the Finance Committee.

Vice President for Academic Affairs Position, Office of the President.

President Poshard requested Finance Committee approval of the appointment of Dr. Paul Sarvela to the position of Vice President for Academic Affairs at a salary of \$190,000. Dr. Sarvela was introduced to the Board.

Marquita Wiley recommended approval. The motion was duly seconded by Steve Wigginton and was passed by the Finance Committee.

Investments Report and Revisions to Investment Policy.

Vice President Stucky reviewed the quarterly Investment Report, noting the reimbursements owed SIU by the State of Illinois and the quarter's lower interest earnings on investments.

Dr. Stucky commented on the revisions to the Investment Policy and requested Finance Committee approval of the Policy.

Marquita Wiley recommended approval. The motion was duly seconded by Steve Wigginton and was passed by the Finance Committee.

Other Business.

There being no further business, the meeting was adjourned.

DS/lap

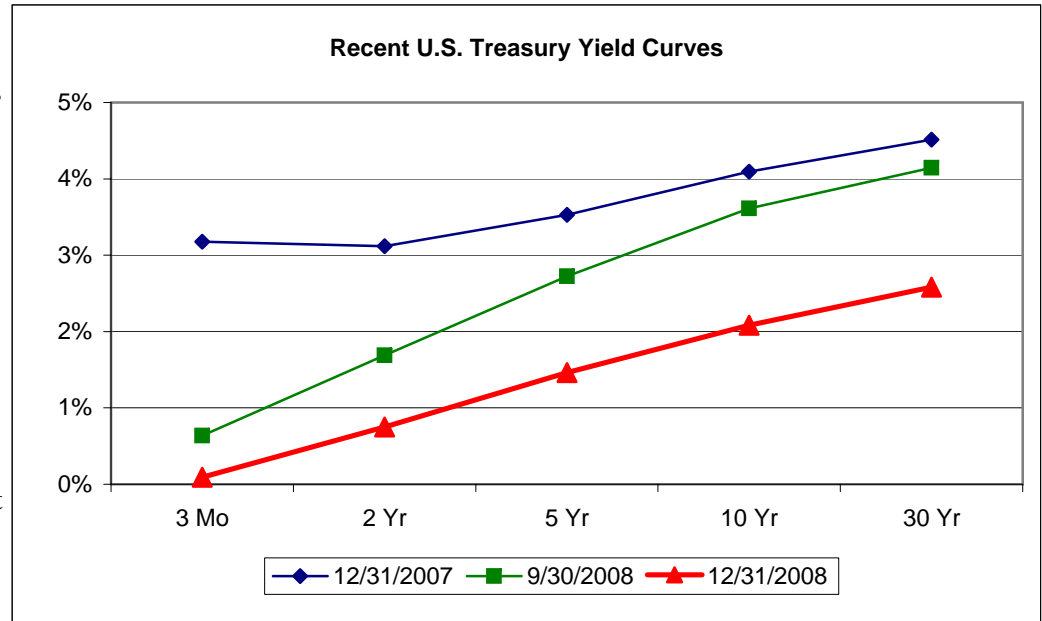


Southern Illinois University

Quarterly Investment Report
December 31, 2008

Performance Analysis

Volatility continues to be the watch word for the financial markets. The U.S. Government's intervention to support financial institutions (through TARP as well as merger promotion) has met with some success, as outright bank failures have not been as widespread as initially feared. However, the somewhat opaque nature of the bailouts has kept the markets guessing as to who will be helped next, and who will not. This approach has negatively impacted the broader markets, as participants are now essentially expecting (and incorporating into prices) the absolute worst outcomes whenever new problems surface. In addition, the credit crisis appears to be ongoing -- leaving only the strongest credits unscathed -- and the economy continues to weaken in most areas including unemployment, production, and housing. Stated frankly, the current financial picture is still very bleak. Barack Obama's recent presidential election victory is one of the few events that the markets have responded favorably to during this very trying time.



Because of Southern Illinois University's conservative portfolio position, the current period produced a 3.10% quarterly return, which is 12bps above the weighted benchmark return of 2.98%. Declining interest rates continue to produce positive returns for SIU investment holdings. In addition, Agency securities (which constitute the bulk of the holdings in both the Short-Term and Intermediate-Term accounts) performed well relative to Treasury securities, as the explicit government backing manifest itself in stronger prices. The assets invested in the Illinois Funds, currently about 49% of the total SIU portfolio, delivered a quarterly return of 0.26%, which is 30bps below the Merrill Lynch Ready Assets benchmark of 0.56%. Monies allocated to the Illinois Prime Fund have been reduced to 27% of total money market assets (from 54% last quarter). The Short-Term portfolio, managed by Western Asset Management, had a 3.09% quarterly return, above the Lehman Brothers 1-3 Yr Government benchmark return of 3.04%. The Intermediate portfolio also produced a strong quarterly return of 6.74%, exceeding the Lehman Brothers Intermediate Government benchmark of 6.16%.

John S. Vincent & Company LLC

Operating Investments

Operating Investment Position

Investment Balance

Market Value (\$ in millions)

	12/31/2007	3/31/2008	6/30/2008	9/30/2008	12/31/2008
State Treasury Fund- Money Market	\$ 66.5	\$ 52.7	\$ 29.1	\$ 51.4	\$ 71.4
State Treasury Fund- Prime	9.0	68.1	75.6	61.5	26.1
Western Asset - Short Portfolio	22.3	22.9	22.7	22.9	23.7
Western Asset - Intermediate Portfolio	69.6	72.0	70.9	71.8	76.5
Total Portfolio	\$ 167.4	\$ 215.7	\$ 198.3	\$ 207.6	\$ 197.7

Market Value Change (\$ in millions)

	12/31/2007	3/31/2008	6/30/2008	9/30/2008	12/31/2008
Beginning Market Value	\$ 198.4	\$ 167.4	\$ 215.7	\$ 198.3	\$ 207.6
Deposits (Withdrawals)	(34.5)	44.4	(16.9)	7.6	(15.6)
Interest Income, Net of Fees	1.9	1.9	1.7	1.5	1.2
Realized Gain (Loss)	0.0	0.0	0.2	0.0	0.1
Unrealized Gain (Loss)	1.6	2.0	(2.4)	0.2	4.4
Ending Market Value	\$ 167.4	\$ 215.7	\$ 198.3	\$ 207.6	\$ 197.7

Operating Performance

Quarterly Performance

	12/31/2007	3/31/2008	6/30/2008	9/30/2008	12/31/2008
State Treasury Fund Rate of Return					
State Treasury Portfolio	1.14%	0.77%	0.56%	0.53%	0.26%
Merrill Lynch Ready Assets	1.15%	0.94%	0.61%	0.54%	0.56%
Short Term Portfolio Rate of Return					
Western Asset Short Term Portfolio	2.12%	2.72%	-0.50%	0.95%	3.09%
Lehman Bros 1-3 Year Govt Index	2.36%	2.64%	-0.58%	1.38%	3.04%
Intermediate Portfolio Rate of Return					
Western Asset Intermediate Portfolio	3.17%	3.51%	-1.52%	1.27%	6.74%
Lehman Bros Intermediate Govt Index	3.37%	3.51%	-1.36%	1.79%	6.16%
Total Fund Rate of Return					
Total Portfolio	2.08%	1.90%	-0.21%	0.85%	3.10%
Benchmark	2.16%	2.07%	-0.14%	1.10%	2.98%

Historical Annual Performance

	FY 2005	FY 2006	FY 2007	FY 2008	Fiscal YTD ending 12/31/2008
Total Fund Rate of Return					
Total Portfolio	3.5%	2.36%	5.29%	5.95%	3.98%
Benchmark	3.0%	2.08%	5.12%	6.40%	4.11%

Asset Allocation

Asset Allocation As of December 31, 2008

	Market Value (in millions)	Allocation Percentage	Target Asset Allocation* (in millions)
State Treasury Fund	\$97.5	49%	\$40 Minimum
Western Asset - Short Term Portfolio	23.7	12%	
Western Asset - Intermediate Term Portfolio	76.5	39%	\$65-105
	<u>\$197.7</u>		

*The target asset allocation has been modified to reflect changes made within the Investment Policy, as approved by the Board of Trustees on December 11, 2008. Effective January 1, 2009 assets within the Short Term Portfolio will be transferred into the Intermediate Portfolio.

Fees

Investment Manager Fees*

	Basis Points					
	As of 9/30/08	12/31/2007	3/31/2008	6/30/2008	9/30/2008	Total
State Treasury Fund- Money Market	9.0	\$8,968.73	\$11,972.60	\$9,499.70	\$9,502.89	\$39,943.92
State Treasury Fund- Prime	8.2	9,905.86	16,165.49	18,753.89	13,204.62	58,029.86
Western Asset - Short Term Portfolio	25.0	13,820.62	14,234.42	14,199.27	14,306.46	56,560.77
Western Asset - Intermediate Term Portfolio	25.0	<u>43,025.18</u>	<u>44,707.29</u>	<u>44,330.91</u>	<u>44,715.97</u>	<u>176,779.35</u>
Total Investment Manager Fees		\$75,720.39	\$87,079.80	\$86,783.77	\$81,729.94	\$331,313.90

Custody Bank Fees*

	12/31/2007	3/31/2008	6/30/2008	9/30/2008	Total
JP Morgan Chase	\$6,350.59	\$6,025.54	\$6,122.58	\$6,044.79	\$24,543.50

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

Capital Investments

Capital Investments Position

Investment Balance

Market Value (\$ in millions)

	12/31/2007	3/31/2008	6/30/2008	9/30/2008	12/31/2008
Housing & Auxiliary Facilities System					
Construction Proceeds	7.6	3.0	31.9	28.4	25.2
Interest Sinking Fund	11.0	14.8	5.1	10.1	11.5
Debt Service Reserve	9.4	9.6	9.4	9.4	9.5
Total HAFS	<u>28.0</u>	<u>27.4</u>	<u>46.4</u>	<u>47.9</u>	<u>46.2</u>
Medical Facilities System					
Construction Proceeds	6.2	4.2	3.0	1.6	1.3
Interest Sinking Fund	0.7	1.1	0.4	0.8	0.8
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total MFS	<u>6.9</u>	<u>5.3</u>	<u>3.4</u>	<u>2.4</u>	<u>2.1</u>
Certificates of Participation					
Construction Proceeds	8.0	5.5	2.8	1.3	0.7
Interest Sinking Fund	2.5	2.4	2.4	2.0	2.0
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total COPS	<u>10.5</u>	<u>7.9</u>	<u>5.2</u>	<u>3.3</u>	<u>2.7</u>
Total Capital Investment Portfolio	\$ 45.4	\$ 40.6	\$ 55.0	\$ 53.6	\$ 51.0

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.