

August 28, 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, September 10, 2009, in the Conference Center, 2nd Floor, of 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 16, 2009, meeting (enclosure).
2. Executive Summary: Resource Allocation and Management Program (RAMP) Planning, Operations, and Capital Budget Request, Fiscal Year 2011 (Board Agenda Item J) (Joint discussion with Academic Matters and Architecture and Design Committees) (enclosure).
3. Approval of Fiscal Year 2010 Operating and Capital Budgets (Board Agenda Item K) (Joint discussion with Architecture and Design Committee) (enclosure).
4. Salary Increase Plan for Fiscal Year 2010 (Board Agenda Item L).
5. Approval of Purchase: Environmental Cleaning Services, SimmonsCooper Cancer Institute, Springfield Medical Campus, SIUC (Board Agenda Item P).
6. Approval of Purchase: Replacement Equipment, SimmonsCooper Cancer Institute, Springfield Medical Campus, SIUC (Board Agenda Item Q).
7. Other business.

Finance Committee
Page 2
August 28, 2009

A copy of the Investment Report is enclosed.

Yours truly,

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

DS/lap

Enclosures

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

BOARD OF TRUSTEES

SOUTHERN ILLINOIS UNIVERSITY

Minutes of the Finance Committee Meeting

July 16, 2009

The Finance Committee met following the Academic Matters Committee in the Auditorium of the Southern Illinois University School of Medicine, Springfield, IL. Present were: Keith Sanders (Chair), John Simmons, Roger Tedrick and Marquita Wiley. Absent was: Steve Wigginton. Other Board members present were: Frank William Bonan II, Nate Brown, Ed Hightower and Amber Suggs. Executive Officers present were: President Glenn Poshard; Chancellor Samuel Goldman, SIUC; Chancellor Vaughn Vandegrift, SIUE; Vice President for Academic Affairs Paul Sarvela; and Senior Vice President for Financial and Administrative Affairs and Board Treasurer Duane Stucky.

Minutes

Marquita Wiley recommended approval of the minutes of the June 11, 2009, meeting as submitted. The motion was seconded by John Simmons and passed by the Committee.

Other Business.

There being no further business, the meeting was adjourned.

DS/lap

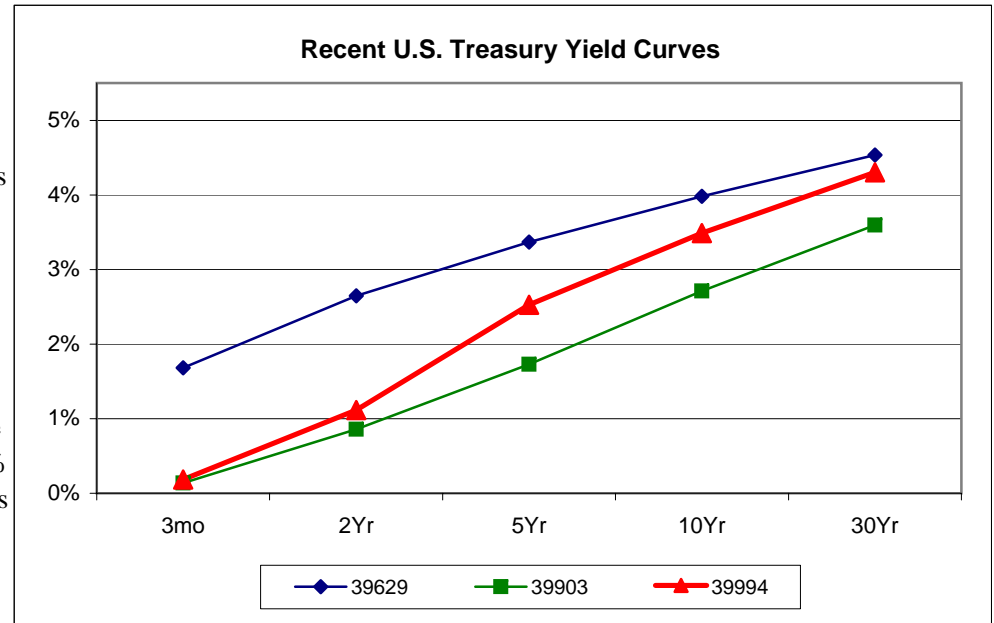


Southern Illinois University

Quarterly Investment Report
June 30, 2009

Performance Analysis

During the quarter ending June 30, 2009, market participants were spared any new financial meltdowns and had more time to digest economic news without the dark clouds of fear directly overhead. What they saw was encouraging. Many financial companies continue to post stronger earnings than expected - Goldman Sachs earned \$3.44B over the period, their largest as a public company. In addition, Goldman as well as J.P. Morgan Chase decided to pay back their TARP loans, and Goldman also repurchased warrants it issued to the government for \$1.1B. Even the GM bankruptcy, which had the potential to keep a cap on any optimistic thinking, was thought to be better than the alternative of another government bailout, and the bankruptcy itself was over and done in a mere 40 days. Equity markets responded to these events by advancing over 15% for the quarter (S&P 500), while the fixed income markets declined. Focus is now turning to inflation, which many expect to heat up as the stimulus money begins to generate renewed growth in the economy.



Southern Illinois University's investments earned a slightly negative return of -0.23% for the quarter, beating the benchmark return of -0.65%, as interest rates rose somewhat during the quarter. This outperformance is attributable to the quarterly performance of the Intermediate Fund managed by Western Assets, which returned a -0.49% for the quarter, compared to the benchmark return of -1.44%. The Intermediate Fund is more heavily weighted toward Government Agency securities than the benchmark (which is about 70% in Treasuries), and Government Agency securities performed better than Treasury securities during the quarter. Investments in the Illinois Funds returned 0.07% for the quarter, slightly better than the 0.05% return for the Merrill Lynch Ready Assets Trust. Overall returns for money market securities continue to be extremely modest.

John S. Vincent & Company LLC

Operating Investments

Operating Investment Position

Investment Balance

Market Value (\$ in millions)

	6/30/2008	9/30/2008	12/31/2008	3/31/2009	6/30/2009
State Treasury Fund- Money Market	\$ 29.1	\$ 51.4	\$ 71.4	\$ 63.0	\$ 44.9
State Treasury Fund- Prime	75.6	61.5	26.1	56.1	9.2
Western Asset - Short Portfolio*	22.7	22.9	23.7		
Western Asset - Intermediate Portfolio	70.9	71.8	76.5	100.2	99.7
Total Portfolio	\$ 198.3	\$ 207.6	\$ 197.7	\$ 219.3	\$ 153.8
Due from State	3.1	49.8	57.1	82.9	44.1
Total Portfolio including Due from State	\$ 201.4	\$ 257.4	\$ 254.8	\$ 302.2	\$ 197.9

Market Value Change (\$ in millions)

	6/30/2008	9/30/2008	12/31/2008	3/31/2009	6/30/2009
Beginning Market Value	\$ 215.7	\$ 198.3	\$ 207.6	\$ 197.7	\$ 219.3
Deposits (Withdrawals)	(16.9)	7.6	(15.6)	21.5	(65.1)
Interest Income, Net of Fees	1.7	1.5	1.2	1.0	0.9
Realized Gain (Loss)	0.2	0.0	0.1	0.5	0.2
Unrealized Gain (Loss)	(2.4)	0.2	4.4	(1.4)	(1.5)
Ending Market Value	\$ 198.3	\$ 207.6	\$ 197.7	\$ 219.3	\$ 153.8

*In accordance with revisions made to the Investment Policy, as approved by the Board of Trustees on December 11, 2008, assets within the Short Term Portfolio were transferred into the Intermediate Portfolio effective January 1, 2009.

Operating Performance

Quarterly Performance

	6/30/2008	9/30/2008	12/31/2008	3/31/2009	6/30/2009
State Treasury Fund Rate of Return					
State Treasury Portfolio	0.56%	0.53%	0.26%	0.12%	0.07%
Merrill Lynch Ready Assets	0.61%	0.54%	0.56%	0.23%	0.05%
Short Term Portfolio Rate of Return*					
Western Asset Short Term Portfolio	-0.50%	0.95%	3.09%	N/A	N/A
Lehman Bros 1-3 Year Govt Index	-0.58%	1.38%	3.04%	N/A	N/A
Intermediate Portfolio Rate of Return					
Western Asset Intermediate Portfolio	-1.52%	1.27%	6.74%	-0.01%	-0.49%
Barclays Capital Intermediate U.S. Govt	-1.36%	1.79%	6.16%	-0.08%	-1.44%
Total Fund Rate of Return					
Total Portfolio	-0.21%	0.85%	3.10%	0.06%	-0.23%
Benchmark	-0.14%	1.10%	2.98%	0.08%	-0.65%

Historical Annual Performance

	FY 2005	FY 2006	FY 2007	FY 2008	FY2009
Total Fund Rate of Return					
Total Portfolio	3.5%	2.36%	5.29%	5.95%	3.80%
Benchmark	3.0%	2.08%	5.12%	6.40%	3.51%

*In accordance with revisions made to the Investment Policy, as approved by the Board of Trustees on December 11, 2008, assets within the Short Term Portfolio were transferred into the Intermediate Portfolio effective January 1, 2009.

Asset Allocation

Asset Allocation
As of June 30, 2009

	Market Value (in millions)	Allocation Percentage	Target Asset Allocation (in millions)
State Treasury Fund	\$54.1	35%	\$40 Minimum
Western Asset - Intermediate Term Portfolio	99.7	65%	\$65-105
	<u>\$153.8</u>		

Fees

Investment Manager Fees*

	Basis Points					
	As of 3/31/09	6/30/2008	9/30/2008	12/31/2008	3/31/2009	Total
State Treasury Fund- Money Market	9.4	\$9,499.70	\$9,502.89	\$9,664.16	\$14,228.35	\$42,895.10
State Treasury Fund- Prime	8.8	18,753.89	13,204.62	10,323.85	13,559.03	55,841.39
Western Asset - Short Term Portfolio	25.0	14,199.27	14,306.46	14,621.06	N/A	43,126.79
Western Asset - Intermediate Term Portfolio	25.0	<u>44,330.91</u>	<u>44,715.97</u>	<u>46,321.99</u>	<u>62,172.15</u>	<u>197,541.02</u>
Total Investment Manager Fees		\$86,783.77	\$81,729.94	\$80,931.06	\$89,959.53	\$339,404.30

Custody Bank Fees*

	6/30/2008	9/30/2008	12/31/2008	3/31/2009	Total
JP Morgan Chase	\$6,122.58	\$6,044.79	\$6,114.01	\$6,350.16	\$24,631.54

* 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)

	6/30/2008	9/30/2008	12/31/2008	3/31/2009	6/30/2009
Housing & Auxiliary Facilities System					
Construction Proceeds	31.9	28.4	25.2	21.6	63.0 *
Interest Sinking Fund	5.1	10.1	11.5	16.3	5.8
Debt Service Reserve	9.4	9.4	9.5	9.4	9.3
Total HAFS	<u>46.4</u>	<u>47.9</u>	<u>46.2</u>	<u>47.3</u>	<u>78.1</u>
Medical Facilities System					
Construction Proceeds	3.0	1.6	1.3	0.7	0.1
Interest Sinking Fund	0.4	0.8	0.8	1.2	0.4
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total MFS	<u>3.4</u>	<u>2.4</u>	<u>2.1</u>	<u>1.9</u>	<u>0.5</u>
Certificates of Participation					
Construction Proceeds	2.8	1.3	0.7	0.7	0.5
Interest Sinking Fund	2.4	2.0	2.0	1.9	1.9
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total COPS	<u>5.2</u>	<u>3.3</u>	<u>2.7</u>	<u>2.6</u>	<u>2.4</u>
Total Capital Investment Portfolio	\$ 55.0	\$ 53.6	\$ 51.0	\$ 51.8	\$ 81.0

*\$53 million of Series 2009A bond proceeds deposited on May 15, 2009 to fund the Stadium and Arena at SIUC.

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.