

August 30, 2013

Members of the Board Finance Committee

Marquita Wiley, Chair
Jesse Cler
Donna Manering
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 12, 2013, 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 July 11, 2013, meeting (enclosure).
2. Operating and Capital RAMP Guidelines and Executive Summary: Resource Allocation and Management Program (RAMP) Planning, Operations, and Capital Budget Request, Fiscal Year 2015 (joint discussion with Architecture & Design and Academic Matters Committees) (Board Agenda Item DD).
3. Salary Increase Plan for Fiscal Year 2014 (Board Agenda Item K).
4. Approval of Fiscal Year 2014 Operating and Capital Budgets (joint discussion with Architecture and Design Committee) (Board Agenda Item L).
5. Designation of Employee Residency Status [Amendment to 3 Policies of the Board A.1.k] (Board Agenda Item N).
6. Approval of Salary: Interim Chair, Graduate Education, School of Dental Medicine, SIUE (Refer to Board Agenda Item P).
7. Approval of Salary: Interim Dean, School of Nursing, SIUE (Refer to Board Agenda Item Q).
8. Approval of Salary: Associate Dean, School of Dental Medicine, SIUE (Refer to Board Agenda Item R).

9. Approval of Salary: Interim Vice Chancellor for Research, SIUC (Refer to Board Agenda Item S).
10. Approval of Salary: Interim General Counsel (Refer to Board Agenda Item J).
11. Approval of Salary: Executive Secretary of the Board (Refer to Board Agenda Item J).
12. Approval of Purchase: Electrical Commodity Service, Carbondale Campus, SIUC (Board Agenda Item W).
13. Other business.

Enclosed is the FY 13 Fourth Quarter Investment Report.

Yours truly,

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

DS/lap

Enclosures

cc: Roger Herrin
Don Lowery

Nick Mehner
Shirley Portwood
Glenn Poshard

Rita Cheng
Julie Furst-Bowe
Other Interested Parties

BOARD OF TRUSTEES

SOUTHERN ILLINOIS UNIVERSITY

Minutes of the Finance Committee Meeting

July 11, 2013

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: Donna Manering (Chair Pro Tem), Shirley Portwood (Member Pro Tem) and Randal Thomas. Absent was: Marquita Wiley. Other Board members present were: Roger Herrin, Don Lowery, and Nick Mehner. Executive Officers present were: President Glenn Poshard; Chancellor Rita Cheng, SIUC; Chancellor Julie Furst-Bowe, SIUE; Interim General Counsel Lucas Crater; Vice President for Academic Affairs Paul Sarvela; 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 9, 2013, meeting as submitted. The motion was seconded by Trustee Portwood and passed by the Committee.

FY 2014 Operating and Capital Budgets Planning Guidelines (Board Agenda Item N) (joint discussion with Architecture and Design Committee).

Senior Vice President Stucky stated that these general Guidelines allow the campuses to begin FY 2014 budget planning. The FY 14 budgets should be presented for approval at the September meeting.

Trustee Portwood recommended approval of the matter. The motion was duly seconded by Trustee Thomas and was passed by the Finance and Architecture and Design Committees.

Approval of Salary: Associate Vice Chancellor for Enrollment Management, SIUE (refer to Board Agenda Item O).

Approval of Salary: Interim Dean, School of Business, SIUE (refer to Board Agenda Item P).

Approval of Salary: Chair of Pharmacy Practice, School of Pharmacy, SIUE (refer to Board Agenda Item Q).

Finance Committee approval was requested for the salaries of:

Scott Belobrajdic as Associate Vice Chancellor for Enrollment Management effective July 12, 2013, at an annual salary of \$159,000.

John Navin as Interim Dean, School of Business, effective July 12, 2013, at an annual salary of \$190,035.

John Mark Ruscin as Chair of the Department of Pharmacy Practice, School of Pharmacy, effective July 12, 2013, at an annual salary of \$152,000.

Trustee Portwood recommended approval. The motion was duly seconded by Trustee Thomas and was passed by the Finance Committee.

Executive Director for Governmental and Public Affairs, Office of the President.

President Poshard presented John Charles as the Executive Director for Governmental and Public Affairs candidate with an annual salary of \$125,000. This recommendation was the result of a search with over thirty applicants who were screened by a committee of three University administrators representing the campuses.

Trustee Thomas recommended approval. The motion was duly seconded by Trustee Portwood and was passed by the Finance Committee.

Proposed Course Specific Fee: EDAD 525A, Principal Preparation Program, SIUE [Amendment to 4 Policies of the Board Appendix B-4] (Board Agenda Item R).

Chancellor Furst-Bowe reviewed the rationale for the course specific fee.

Trustee Thomas recommended approval of the matter. The motion was duly seconded by Trustee Portwood and was passed by the Finance Committee.

Authorization to Purchase Physician Services, SIUE (Board Agenda Item S).

Authorization to Purchase Plumbing Supplies, SIUE (Board Agenda Item T).

Authorization to Purchase Equipment for the Multi-Discipline Laboratory, SIUE (Board Agenda Item U).

Chancellor Furst-Bowe reviewed the matters.

Trustee Portwood recommended approval of the matters. The motion was duly seconded by Trustee Thomas and was passed by the Finance Committee.

Approval of Purchase: Maintenance, Service and Repair of Elevators and Escalators, Carbondale Campus, SIUC (Board Agenda Item V).

Approval of Purchase: Public Broadcasting Service (PBS) Station Dues for WSIU-TV and WUSI-TV Programming, Broadcasting Service, Carbondale Campus, SIUC (Board Agenda Item W).

Approval of Purchase: Computers and Computer Accessories, Carbondale Campus, SIUC (Board Agenda Item X).

Approval of Purchase: Pearson Electronic Course Materials, Carbondale Campus, SIUC (Board Agenda Item Y).

Approval of Purchase: Electrical Supplies, Carbondale Campus, SIUC (Board Agenda Item Z).

Approval of Purchase: Plumbing Supplies, Carbondale Campus, SIUC (Board Agenda Item AA).

Chancellor Cheng reviewed the matters.

Trustee Portwood recommended approval of the matters. The motion was duly seconded by Trustee Thomas and was passed by the Finance Committee.

Other Business.

There being no further business, the meeting was adjourned.

DS/lap



Southern Illinois University

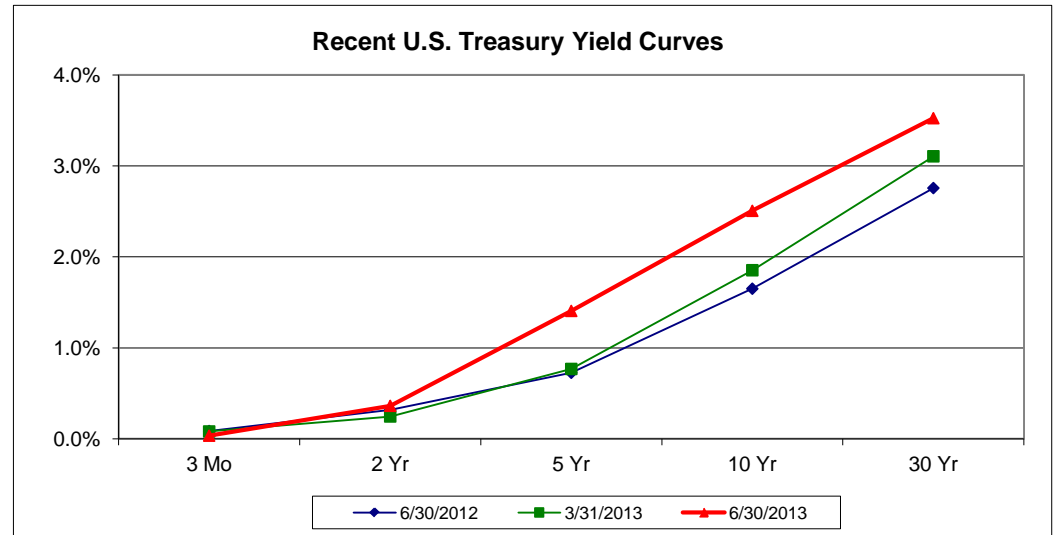
Quarterly Investment Report
June 30, 2013

Performance Analysis

Treasury yields rose sharply during the quarter ending June 30, 2013, with the sell-off in intermediate to long Treasuries occurring during May and June. Treasury yields in the 5-year range and longer are now measurably higher than where they stood a year ago (compare red vs. blue lines at right). Signals from the Federal Reserve that their quantitative easing intercession may soon be ending was the primary reason for the rise in interest rates throughout May and June.

The significantly rising interest rate environment during the 2nd Quarter of 2013 led to a negative return on SIU's overall portfolio. SIU's combined portfolio return was -0.64% for the quarter ending 6/30/13 and -0.25% for the year ending 6/30/13. The Western Asset Management Company's ("WAMCo") Intermediate Fund posted a 2nd quarter loss of -1.59%, which consisted of 0.35% in current income return (after fees), coupled with a -1.94% capital loss due to the rise in interest rates. This loss partially offsets the substantial unrealized gains that had accumulated in the portfolio during the sustained decline in interest rates. On July 31, 2012, unrealized gains in the Intermediate Fund peaked at \$5.8 million compared to only \$1.3 million on 6/30/13.

WAMCo's loss of -1.59% was greater than the loss on the Barclay's Intermediate U.S. Government Securities benchmark index of -1.37% for the quarter, probably due to its longer average maturity of 4.22 years versus 3.81 years on the benchmark.



Operating Investments

Operating Investment Position

Investment Balance

Market Value (\$ in millions)

	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013
State Treasury Fund (Money Market Mutual Fund)	\$ 115.7	\$ 130.9	\$ 84.8	\$ 99.3	\$ 99.6
The Bank of Edwardsville (Money Market Account)	25.0	25.0	19.1	25.0	25.0
MB Financial (Money Market Account)*	-	25.0	25.0	25.0	25.0
Subtotal Cash & Cash Equivalents	<u>\$ 140.7</u>	<u>\$ 180.9</u>	<u>\$ 128.9</u>	<u>\$ 149.3</u>	<u>\$ 149.6</u>
Western Asset - Intermediate Portfolio	104.7	105.4	105.6	105.6	103.9
Total Portfolio	<u>\$ 245.4</u>	<u>\$ 286.3</u>	<u>\$ 234.5</u>	<u>\$ 254.9</u>	<u>\$ 253.5</u>
Due from State	65.6	79.6	117.0	141.2	60.5
Total Portfolio including Due from State	<u>\$ 311.0</u>	<u>\$ 365.9</u>	<u>\$ 351.5</u>	<u>\$ 396.1</u>	<u>\$ 314.0</u>

Market Value Change (\$ in millions)

	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013
Beginning Market Value	\$ 275.9	\$ 245.4	\$ 286.3	\$ 234.5	\$ 254.9
Deposits (Withdrawals)	(31.8)	40.1	(52.0)	20.4	0.3
Interest Income, Net of Fees	0.5	0.5	0.5	0.4	0.4
Realized Gain (Loss)	0.3	0.1	0.0	0.0	1.4
Unrealized Gain (Loss)	0.5	0.2	(0.3)	(0.4)	(3.5)
Ending Market Value	<u>\$ 245.4</u>	<u>\$ 286.3</u>	<u>\$ 234.5</u>	<u>\$ 254.9</u>	<u>\$ 253.5</u>

*Transferred \$25 million from State Treasury Fund to MB Financial account on 8/16/12.

Operating Performance

Quarterly Performance

	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013
State Treasury Fund (Money Market Mutual Fund)	0.02%	0.03%	0.03%	0.01%	0.01%
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)*	N/A	0.05%	0.05%	0.04%	0.03%
Benchmark: Ready Assets Prime MMF	N/A	0.00%	0.00%	0.00%	0.00%
Western Asset Intermediate Portfolio	1.23%	0.72%	0.07%	0.07%	-1.59%
Benchmark: Barclays Capital Int U.S. Govt	1.45%	0.62%	0.03%	0.14%	-1.37%
Total Portfolio	0.47%	0.31%	0.05%	0.04%	-0.64%
Total Benchmark	0.54%	0.26%	0.01%	0.05%	-0.55%

*Transferred \$25 million from State Treasury Fund to MB Financial account on 8/16/12.

Historical Annual Performance

	FY2009	FY2010	FY2011	FY2012	FY2013
Total Portfolio	3.80%	3.01%	1.26%	1.74%	-0.25%
Benchmark	3.51%	2.97%	1.08%	1.85%	-0.24%

Asset Allocation

Asset Allocation
As of June 30, 2013

	Market Value (in millions)	Allocation Percentage	Target Asset Allocation (in millions)
State Treasury Fund (Money Market Mutual Fund)	\$99.6		
The Bank of Edwardsville (Money Market Account)	25.0		
MB Financial (Money Market Account)	25.0		
Subtotal Cash & Cash Equivalents	\$149.6	59%	\$40 Minimum
Western Asset - Intermediate Term Portfolio	103.9	41%	\$65-115
Total Portfolio	\$253.5		

Fees

Investment Manager Fees*

	Basis Points					
	As of 3/31/13	6/30/2012	9/30/2012	12/31/2012	3/31/2013	Total
State Treasury Fund (Money Market Mutual Fund)	8.2	\$ 30,916	\$ 21,765	\$ 17,933	\$ 24,914	\$ 95,528
Western Asset - Intermediate Term Portfolio	25.0	63,902	64,166	64,234	64,190	256,492
Total Investment Manager Fees		\$ 94,818	\$ 85,931	\$ 82,167	\$ 89,104	\$ 352,020

Custody Bank Fees*

		6/30/2012	9/30/2012	12/31/2012	3/31/2013	Total
JP Morgan Chase		\$ 5,055	\$ 5,083	\$ 4,938	\$ 4,958	\$ 20,034

* 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)

	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013
Housing & Auxiliary Facilities System					
Construction Proceeds	24.8	21.7	22.5	18.1	10.9
Interest Sinking Fund	7.6	14.2	15.4	22.2	7.6
Debt Service Reserve	8.4	8.4	8.4	8.4	8.3
Total HAFS	<u>40.8</u>	<u>44.3</u>	<u>46.3</u>	<u>48.7</u>	<u>26.8</u>
Medical Facilities System					
Construction Proceeds	0.0	0.0	0.0	0.0	0.0
Interest Sinking Fund	0.4	0.9	0.9	1.3	0.4
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total MFS	<u>0.4</u>	<u>0.9</u>	<u>0.9</u>	<u>1.3</u>	<u>0.4</u>
Certificates of Participation					
Construction Proceeds	0.0	0.0	0.0	0.0	0.0
Interest Sinking Fund	0.5	0.0	0.0	0.0	0.0
Debt Service Reserve	0.0	0.0	0.0	0.0	0.0
Total COPS	<u>0.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Capital Investment Portfolio	\$ 41.7	\$ 45.2	\$ 47.2	\$ 50.0	\$ 27.2

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.