

# **BOARD OF REGENTS**

## **EASTERN MICHIGAN UNIVERSITY**

SECTION: 1

DATE:

March 21, 2006

### **RECOMMENDATION**

#### **REPORT: TREASURER'S**

#### **ACTION REQUESTED**

It is recommended that the Treasurer's Report for the month of January 2006 be received and placed on file.

#### **STAFF SUMMARY**

As of January 31, 2006, Cash and Investments totaled \$118,759,572.08 and were invested to return a total annualized return of 3.91%. Summarized below is Eastern's latest investment performance compared to the established benchmarks.

• 28 Day Auction Rate Notes (Putable)	4.43%
• Benchmark: Bloomberg Commercial Paper Index	4.41%
• Vanguard Short Term Investment Grade Fund	2.28%
• Benchmark: Lehman 1-5 Year Credit Index	0.55%
• Benchmark: Lipper Average 1-5 Year Investment Grade Fund	0.65%*
• Intermediate Duration Government Agency Bonds	4.36%
• Benchmark: Five Year Treasury Note	4.45 %

\* The Lehman 1-5 Year Credit Index benefits from a longer duration than what the Vanguard fund maintains. An additional comparative benchmark is the Lipper Average 1-5 Year Investment Grade Fund. This benchmark is an average of the Vanguard Fund and all funds similar in holdings and duration to the Vanguard Fund.

Specifics as to the quality, duration, and other related features of the University's investment portfolio are itemized on pages 1 and 2 of this report. In general:

- The portfolio has no investments in equities.
- The portfolio has no leveraged investments.
- The portfolio has no speculative derivatives.
- 100% of the portfolio is in fixed income obligations.
- 0% of the portfolio is in variable rate obligations.
- Average weighted credit quality of the portfolio is AA+.
- Average weighted maturity of the portfolio is approximately 0.30 years.

Cash and investments (excluding bond proceeds) as of January 31, 2006 increased by \$10.8 million compared to January 2005. The increase is primarily due to variances in several areas: Higher tuition and fees along with higher A/R collection rate (\$7.1 million), Timing issue on Perkins and Stafford Loans (\$2.1 million), Lower Blue Cross/Blue Shield billings (\$0.5 million), and EMU as lender (\$0.5 million).

**FISCAL IMPLICATIONS**

The investment income is expected to meet budget.

**ADMINISTRATIVE RECOMMENDATION**

The proposed Board action has been reviewed and is recommended for Board approval.

\_\_\_\_\_  
**University Executive Officer**

\_\_\_\_\_  
**Date**

Eastern Michigan University  
**CASH AND INVESTMENTS**  
January 31, 2006

	Date Settled	Mature/ Call Date	Account Balance		Annualized YTD Actual Total Return	Prior Month Annual. YTD Total Return
			Dollars	Pct. Total		
<b>Cash</b>						
<b>EMU</b>						
Comerica Bank/U.S. Bank	n/a	n/a	\$31,155,100.89	26.23%	4.0200%	3.9300%
<b>Eagle Crest</b>						
Citizen's Bank	n/a	n/a	\$467,839.16	0.39%	0.0000%	0.0000%
Total Cash			<u>\$31,622,940.05</u>	<u>26.63%</u>		
<b>Investments</b>						
<b>Money Market Funds</b>						
Dreyfus Institutional Preferred	Daily	n/a	\$0.00	0.00%	3.1877%	3.7190%
Total Money Market Funds			\$0.00	0.00%	0.0000%	0.0000%
<b>28 Day Auction Rate Notes (Putable)</b>						
Nel-Net Taxable Student Loans (AAA)	1/13/06	2/10/06	\$5,000,000.00	4.21%	4.3600%	New
Education FDG of the South (AAA)	1/17/06	2/14/06	\$2,500,000.00	2.11%	4.3500%	New
SLMA (AAA)	1/6/06	2/3/06	\$2,500,000.00	2.11%	4.3000%	New
SLMA (AAA)	1/20/06	2/17/06	\$2,500,000.00	2.11%	4.3850%	New
Hopkinsville Kentucky IDR (AA4)	1/26/06	weekly	\$260,000.00	0.22%	4.5500%	4.3500%
Education Loans Inc. (AAA)	1/19/06	2/16/06	\$3,400,000.00	2.86%	4.3500%	4.3800%
Education Loans Inc. (AAA)	1/30/06	2/27/06	\$2,000,000.00	1.68%	4.5000%	4.2700%
Education Loans Inc. (AAA)	1/4/06	2/1/06	2,400,000.00	2.02%	4.3000%	4.2890%
U.S. Education Loan Inc. (AAA)	1/25/06	2/22/06	1,600,000.00	1.35%	4.4600%	4.4000%
Nel-Net Taxable Student Loans (AAA)	1/26/06	2/23/06	5,000,000.00	4.21%	4.4400%	4.3200%
Education Funding Capital Trust (AAA)	1/27/06	2/24/06	5,000,000.00	4.21%	4.5000%	4.3800%
Education Funding Capital Trust (AAA)	1/30/06	2/27/06	5,000,000.00	4.21%	4.5000%	4.2900%
MKO Properties (A-1/P-1)	1/26/06	weekly	2,500,000.00	2.11%	4.5500%	New
SLM Student Loans (AAA)	1/23/06	2/20/06	5,000,000.00	4.21%	4.4400%	4.4000%
Education Loans Inc. (AAA)	1/23/06	2/20/06	1,000,000.00	0.84%	4.4750%	4.3700%
Total Auction Rate Notes			<u>\$45,660,000.00</u>	<u>38.45%</u>	<u>4.4255%</u>	<u>4.3460%</u>
<b>Short-Term (0-5 Year) Bond Funds</b>						
Vanguard Short-Term Corporate	Monthly	n/a	8,028,582.38	6.76%	2.2797%	2.1548%
Total Short Term Funds			<u>\$8,028,582.38</u>	<u>6.76%</u>	<u>2.2797%</u>	<u>2.1548%</u>
<b>Student Center/McKenny Bond Proceeds</b>						
Commercial Paper And Agency Notes	See Attached Portfolio		\$15,448,049.65	13.01%	2.5680%	2.5518%
<b>Int. Term (5 Year) Agency Bonds</b>						
Fed. National Mortgage Assoc. (5/25/04 Call)	2/25/04	8/25/09	\$6,000,000.00	5.05%	4.4500%	4.4500%
Federal Home Loan Bank (3/17/05 Call)	12/17/04	12/17/09	6,000,000.00	5.05%	4.4500%	4.4500%
Federal Home Loan Bank (7/1/05 Call)	4/1/05	10/1/07	3,000,000.00	2.53%	4.1400%	4.1400%
Federal Home Loan Bank (4/18/06 One-time Call	4/18/05	10/18/07	3,000,000.00	2.53%	4.2500%	4.2500%
Total Agency Bonds			<u>\$18,000,000.00</u>	<u>15.16%</u>	<u>4.3600%</u>	<u>4.3700%</u>
Total Non-Cash Investments			<u>\$87,136,632.03</u>	<u>73.37%</u>	<u>3.8861%</u>	<u>3.7316%</u>
Total Cash And Investments			\$118,759,572.08	100.00%	3.9057%	3.7265%

**Notes:**

The **Vanguard Short-Term Corporate Fund** invests in corporate bonds and U.S. Treasury and government-backed securities. 65% of assets are invested in high-quality instruments, 30% in medium-quality corporate bonds, and 5% in non-investment-grade bonds. The average maturity approximates 2.5 - 3 years. EMU has access to its funds on a daily basis.

**KEY FUND DATA**

January 31, 2006

	Comerica Concentration Acct.	Auction Rate Notes	Student Center Bond Portfolio	Dreyfus Inst. Preferred	Vanguard S/T Corp.	Total Funds At Present Mix
<b>Fund Size/EMU Investment</b>						
Total Fund Net Assets	n/a	n/a	n/a	\$8,081,449,664	\$17,663,265,459	
<b>EMU's Investment</b>	<b>\$31,622,940.05</b>	<b>\$45,660,000.00</b>	<b>\$15,448,049.65</b>	<b>\$0.00</b>	<b>\$8,028,582.38</b>	<b>\$100,759,572.08</b>
EMU Percent Of Total Fund	n/a	n/a	n/a	0.00%	0.05%	
Memo:						
EMU Investment At 1/31/05	\$24,686,903.65	\$35,950,000.00	\$39,091,953.82	\$0.00	\$7,829,281.86	\$108,463,890.04
Present O/(U) 1/31/05 Investment	6,936,036.40	9,710,000.00	(23,643,904.17)	0.00	199,300.52	(7,704,317.96)
EMU Investment At 7/1/05	\$4,779,501.58	\$28,000,000.00	\$28,708,071.55	\$0.00	\$7,923,230.44	\$69,410,803.57
Present O/(U) 7/1/05 Investment	26,843,438.47	17,660,000.00	(13,260,021.90)	0.00	105,351.94	31,348,768.51

**Inception/Investment Dates**

Fund Inception Date  
EMU Initial Investment Date

6/11/97  
1/20/01

1/6/00  
1/18/96

**Ratings/Liquidity**

Morningstar  
Credit Rating Of Holdings  
Liquidity Option

n/a  
n/a  
Same Day

n/a  
AAA  
Next Day

n/a  
AAA  
Same Day

n/a  
Aa3  
Next Day

AA+

**Portfolio Mix/Maturity**

Commercial Paper/Promissory Notes  
Time Deposits  
Bank CD's/Short Term Bank Notes  
Bank Repos  
U.S. Treasuries  
U.S. Government Agencies  
Corporate Bonds  
Mortgage/Asset Backed Securities  
Variable Rate Demand Instruments  
Funding Agreements  
Taxable Municipalities  
Cash/Other  
Total

42.99%  
17.10%  
26.21%  
0.00%  
0.00%  
0.00%  
13.40%  
0.00%  
63.30%  
22.20%  
0.00%  
0.00%  
0.00%  
4.42%  
100.00%

0.00%  
0.00%  
0.00%  
0.00%  
0.00%  
0.00%  
0.00%  
0.00%  
0.00%  
0.00%  
0.00%  
0.00%  
0.00%  
1.10%  
100.00%

Weighted Average Maturity

19 Days

2.7 Years

Years  
0.30