



Financial Report

Prepared for presentation to the Board of Trustees

March 15, 2018

1. Hospital Financial Performance
2. Pension Cost Shift
3. Operating Pool and Endowment

HOSPITAL FINANCIAL PERFORMANCE

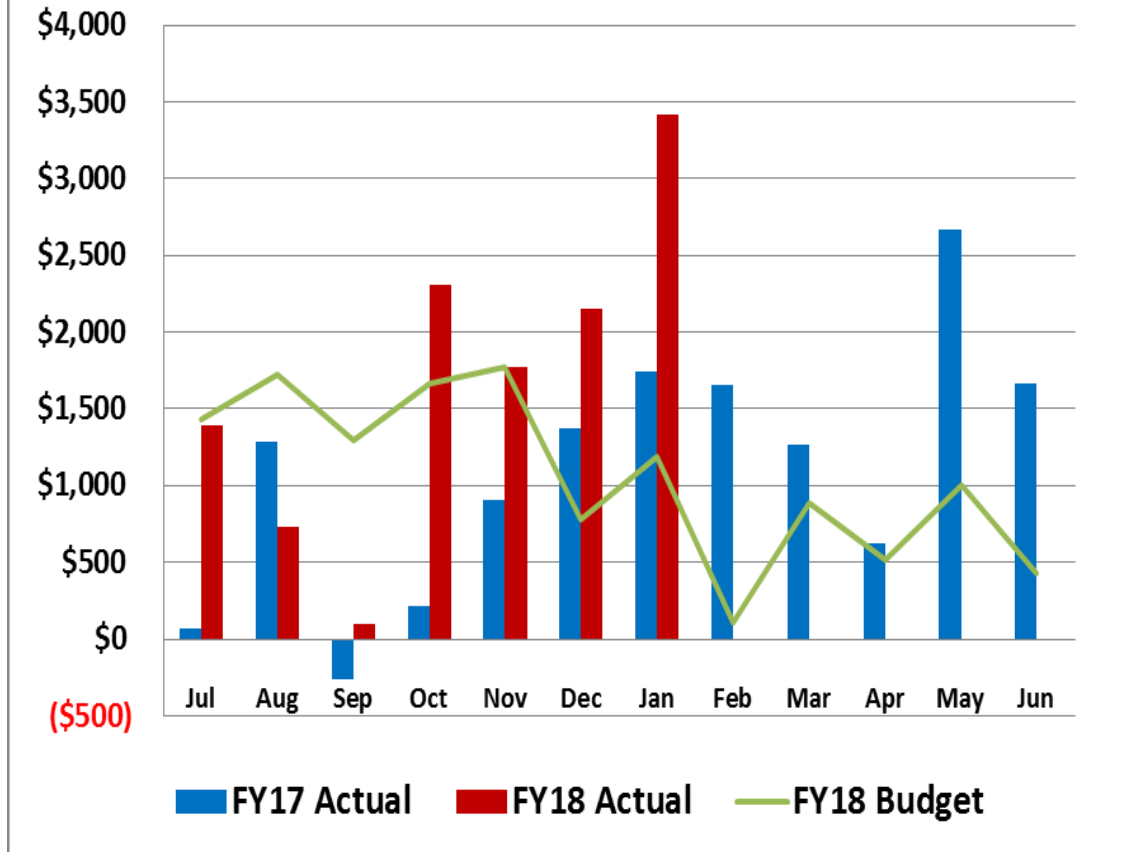
Year to Date January 31, 2018

(In \$ '000s)

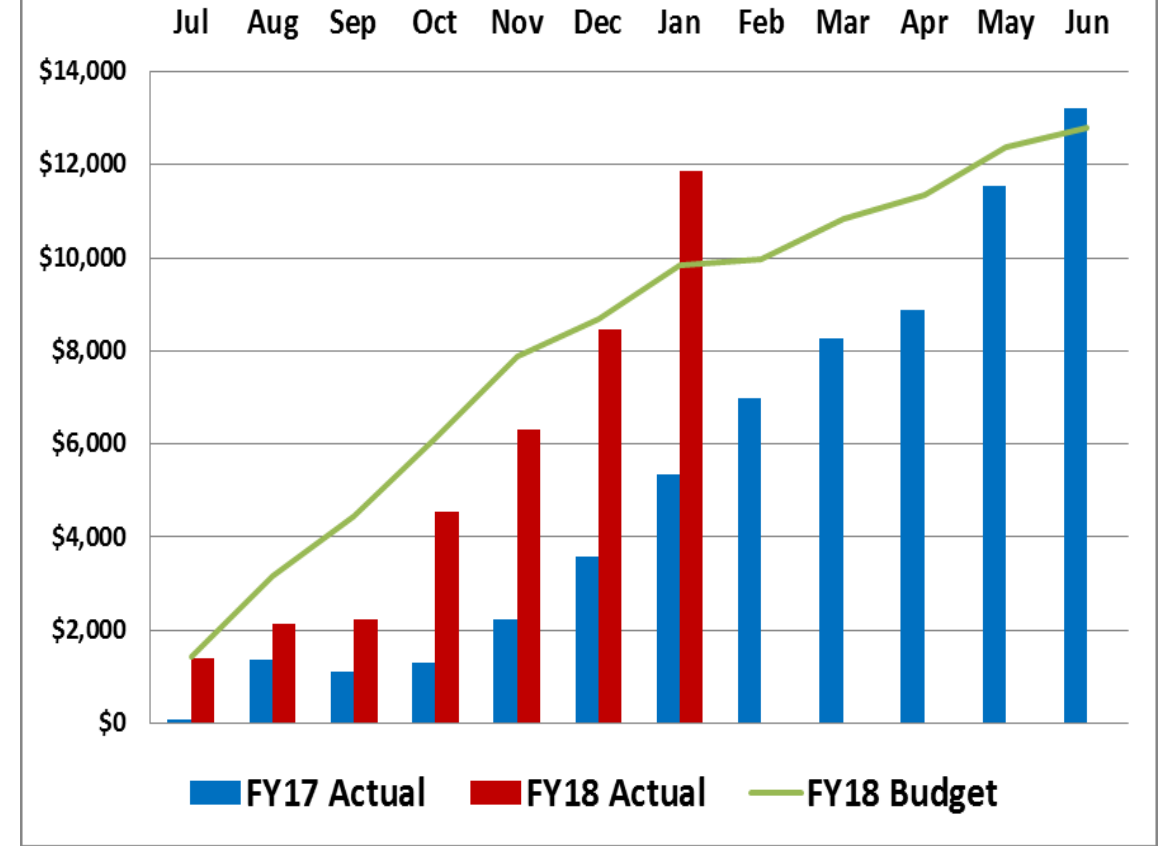
	FY17 Actual	FY18 Budget	FY18 Actual
Total Revenue	\$ 590,470	\$ 617,540	\$ 621,814
Operating Expense	\$ 585,132	\$ 607,687	\$ 609,938
Operating Margin	\$ 5,338	\$ 9,853	\$ 11,876

Monthly and Cumulative Margin

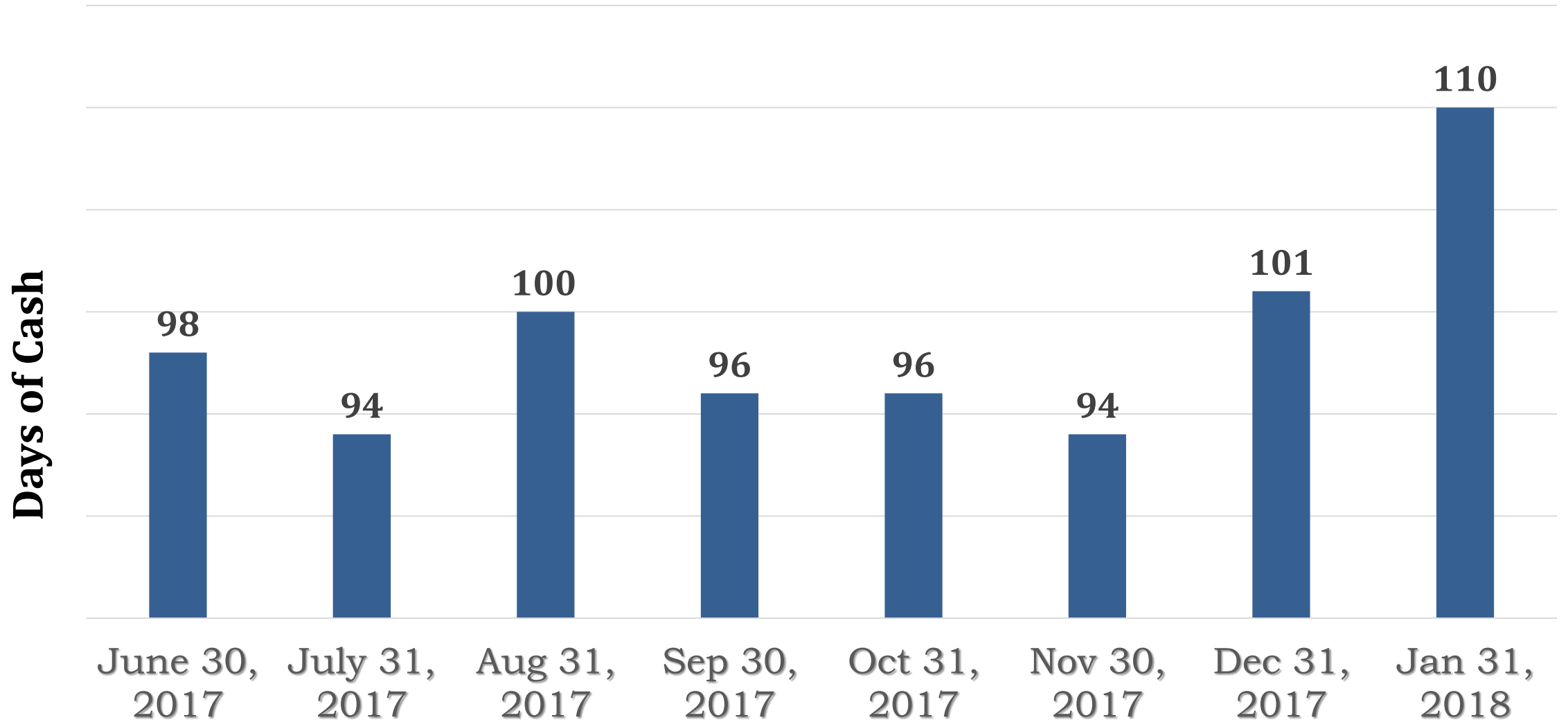
Operating Margin (Loss)



Cumulative Margin (Loss)



HOSPITAL DAYS CASH ON HAND



PENSION COST SHIFT

THREE PENSION PROGRAMS

January 1, 2011

**TIER I
Defined Benefit Plan**

**TIER 2
Defined Benefit Plan**

**Self Managed Plan (SMP)
Defined Contribution Plan**

Tier I and Tier II are Different

	Tier I	Tier II
Normal retirement age	60	67
Final average salary	Highest 4 years	Highest 8 out of last 10
COLA amount	3%	Lesser of 3% and $\frac{1}{2}$ of CPI
COLA calculation	Compound	Simple
Maximum pensionable earning	No cap or federal limit	\$112,408 indexed lower of $\frac{1}{2}$ CPI and 3%

NORMAL COST

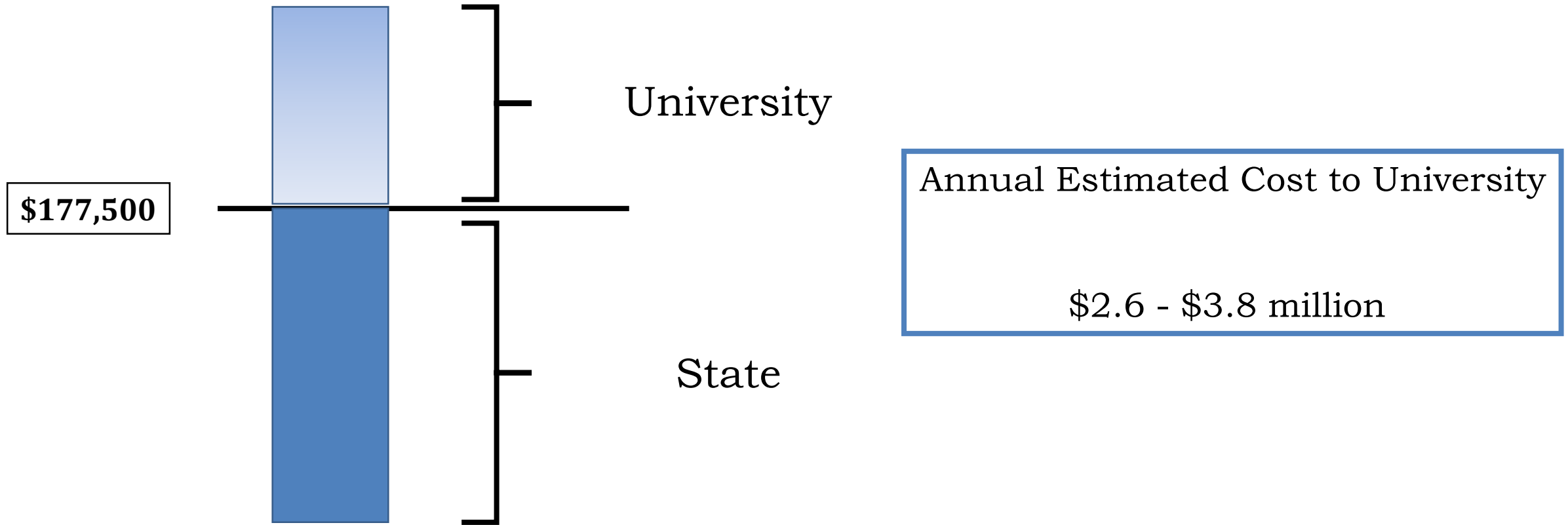
- Present value of annual incremental increase in future pension liability
- SURS normal cost approx. 20% of pensionable earnings
- Employer share approx. 12% of pensionable earnings

Two Cost Shift Legislations

Enacted July 2017

- University required to fund normal cost for earnings that exceed governor's salary (\$177,500)
- New retirement plan option to be developed by SURS; university to pay portion of normal cost

Tier I Cost Shift



New Plan Proposal

- Combination of DB and DC – Hybrid plan
- For all new employees
- Current Tier II employees may switch
- Proposed employer contribution
 - Employer portion of DB normal cost
 - 2 - 6% of employee salary for DC portion
- Future unfunded liability

**Shift 25% of employer normal cost
each of next four years**

Shift of limited health benefit costs

OPERATING POOL AND ENDOWMENT

TOTAL FUNDS

- Operating Pool \$2.369 billion
- Endowment \$376.6 million

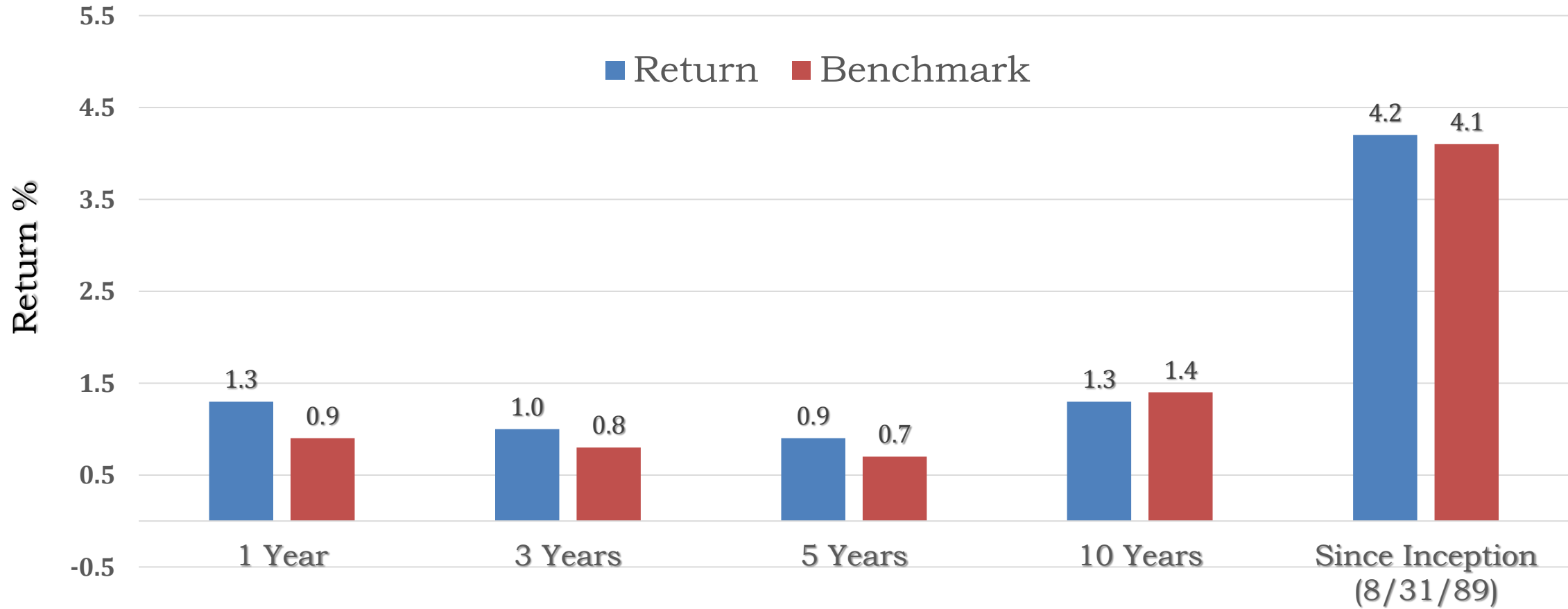
Note: Endowment total does not include funds managed by University of Illinois Foundation

Operating Pool Layers

Liquidity Level	Time Horizon	Benchmark	Allocation
Primary Liquidity	Immediate	90 day T-Bill	41%
Liquid Core	1 - 3 years	Barclay's 1-3 Yr. Government Credit	23%
Intermediate Core	3- 5 years	Barclay's Capital Intermediate Aggregate	22%
Permanent Core	> 5 years	Endowment Pool Benchmark	14%

Operating Pool Performance 12/31/2017

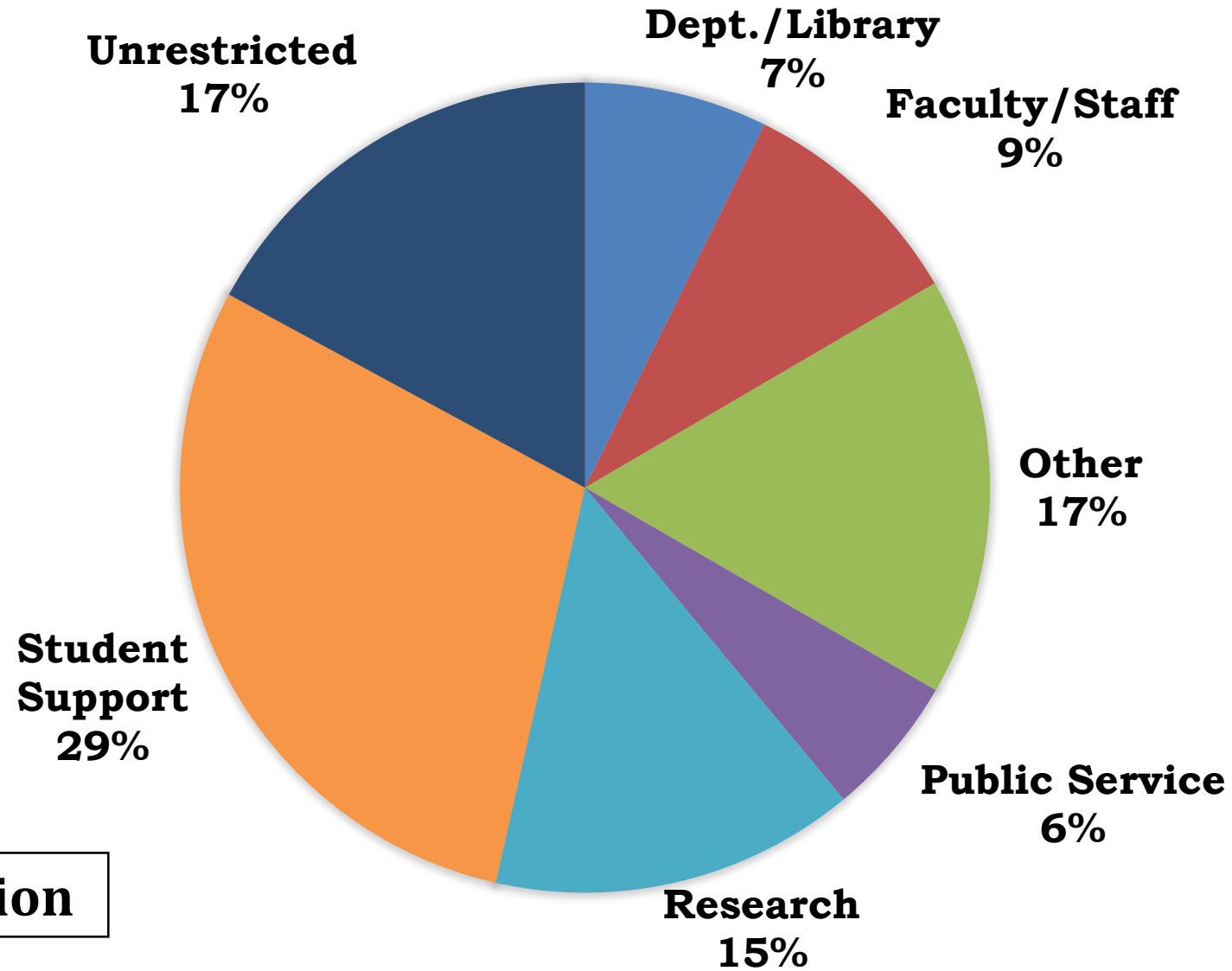
Total \$2.03 billion; excludes Permanent Core Funds
Returns net of investment fees



University Endowment Pool

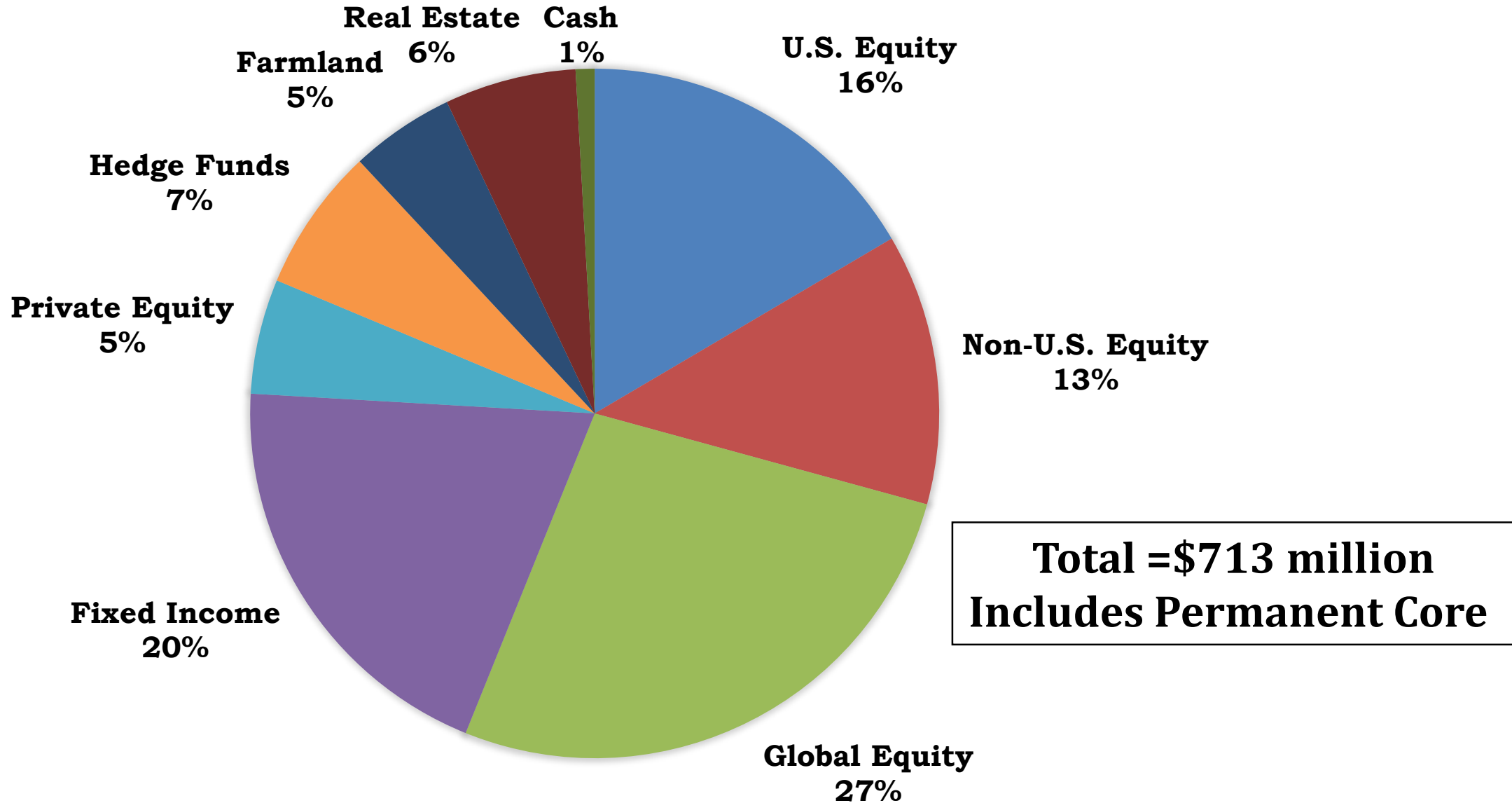


University Endowment Fund by Purpose



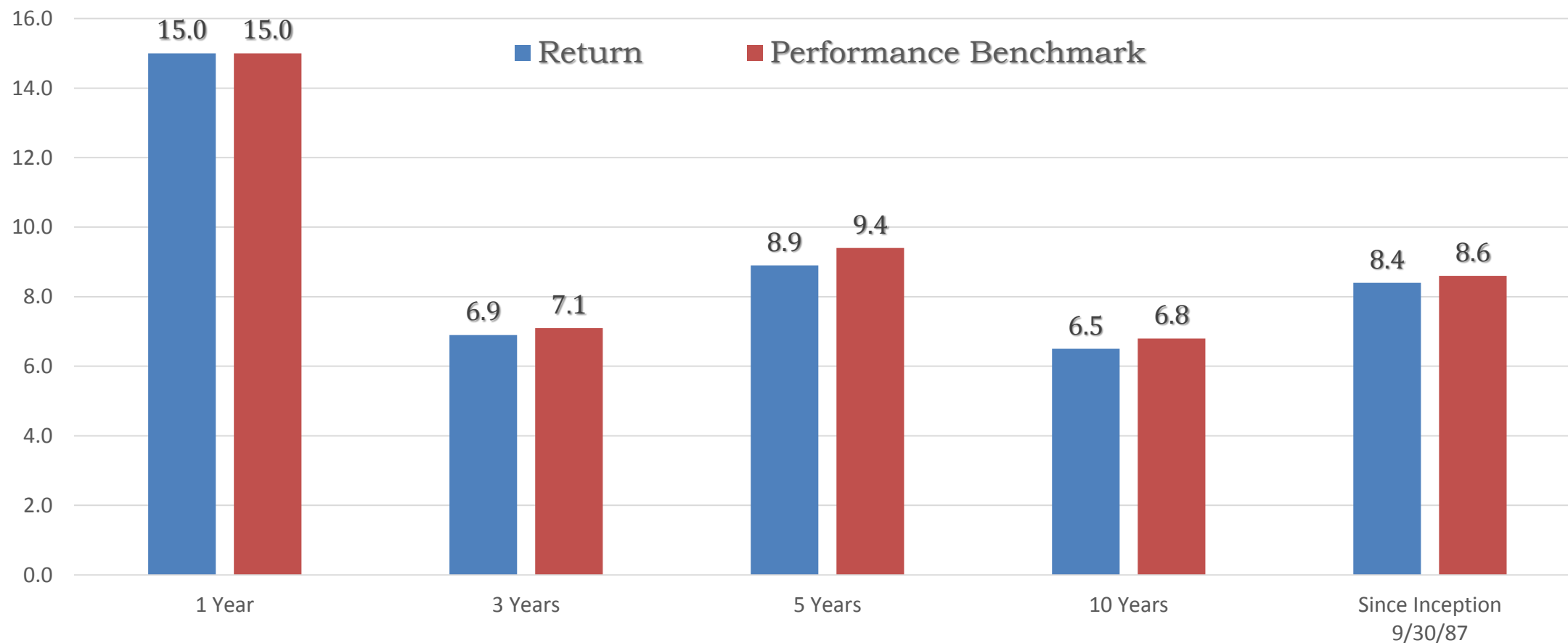
Total = \$376.6 million

Total Endowment Pool Asset Allocation



Total Endowment Pool Performance 12/31/2017

Total \$713 million; Includes Permanent Core Funds
Endowment Pool returns net of investment fees



Endowment Return Peer Comparison

Returns as of June 30, 2017

Percentile	1 Year	3 Years	5 Years	10 Years
25 th	11.1	3.3	7.1	3.8
Median	12.5	4.1	7.9	4.4
75 th	13.7	5.0	8.7	5.2
U of I	12.1	4.6	8.7	5.6

Data Source: NACUBO-Commonfund US Higher Education & Affiliated Foundations

Income Distribution 2017

Source of Distribution	Amount (\$million)
Endowment	22.6
Permanent Core	11.6
Operating Fund	25.5
Total Distribution	59.7

Endowment Ten Year Summary

January 1, 2008 – December 31, 2017

	\$ millions
Beginning Balance	200.6
Additions	136.5
Spending	(151.4)
Reinvestment	190.9
Ending Balance	376.6

Annual CPI increase during period 1.6%

- Endowment Policy Review
- Long-Term Budget Planning
- Capital Planning Process Initiated