



***SURA Finance Committee  
Report-out***

**October 20, 2009  
Washington, DC**

## ***Committee's activities, discussions and approvals***



- **Reviewed the FY 09 year end financials and discussed key variances and details regarding support and programmatic activities**
- **Reviewed the FY08 OMB A-133 audit report – clean opinion and no reportable internal control and/or compliance findings**
- **Met with the CFO in an earlier meeting to review the 2008 990 tax return -- going forward this will be a regular annual governance process performed by the Chair of the Finance Committee**
- **Met with the B&C internal auditors to discuss the results of their review of SURA's financial operations and associated recommendations for improving the overall effectiveness and efficiency of the department**

## ***Committee's activities, discussions and approvals (cont'd)***



- ✓ **It was agreed that B&C would work with SURA management to develop an implementation plan that would prioritize the recommendations as well identify assignments, scheduling and a reporting process for monitoring progress**

- **Reviewed the FY09 investment performance with our SmithBarney advisor, Bob Olson – Bob pointed out that our strategy of overweighting fixed income and cash by as much as ~47% during the earlier stages of the recent market turmoil has served us well especially since our bonds have generated a yield of nearly 10%.**
- **But with market stabilization now in place and the stock market showing greater strength, and taking into account historical market behavior following severe recessionary periods SmithBarney is advising that we consider a more aggressive asset allocation strategy going forward.**

## ***Committee's activities, discussions and approvals (cont'd)***



- ✓ Because bonds have peaked and are now retreating, it is recommended that we now overweight our equity allocation
  - ✓ Given that the stock market rebound has already lifted our equity allocation to ~66% it is recommended that we maintain this 66:34 stock /bond ratio as our core portfolio strategy
  - ✓ Considering the expanding growth potential of emerging markets and the growing strength of midcap stocks it was also recommended that we pursue these opportunities by deploying a “tactical” discretionary fund equivalent to 10% of the core portfolio
  - ✓ In support of these recommendations the Finance Committee requested SmithBarney to develop a specific plan for moving forward with a “tactical” fund to serve as a short term yield enhancement/complement to our core strategy
- **Lastly, we reviewed the FY10 budget and recommend its approval by the Board subject to the understanding that management will resume the debt reduction plan started in FY09 with the objective of an orderly pay down of debt that will liquidate our outstanding balance of \$3.65M by 2/1/11**

**Strong bond market rebound in stocks the last half of the fiscal year erase most of SURA's earlier losses**



**Twelve Months Ended September 30, 2009  
(\$000's)**

Asset Class	9/30/08 Market Value			YTD Performance (1)			
	Opening Balance	Restated for Liq/transfers	Weighted Average	Market Value 9/30/09	Performance from 9/30/08	Benchmark	Indices
Large Cap	\$15,960	\$12,543	\$14,028	\$11,134	-5.64%	-5.24%	Rus.1000 V/G & EAFE
Mid Cap	\$5,150	\$4,693	\$4,938	\$4,349	-5.87%	-1.50%	Rus. Mid Cap Value/Growth
Bonds	\$6,626	\$6,330	\$6,655	\$7,059	9.26%	8.75%	BC Int Gov't/Corp.
<b>Total Portfolio</b>	<b>\$27,736</b>	<b>\$23,566</b>	<b>\$25,622 *</b>	<b>\$22,542 **</b>	<b>-2.41% ***</b>	<b>-1.49%</b>	<b>Composite</b>

\* Weighted average based on daily outstanding investment balance for the 12 month period.

\*\* YTD mrk't value includes \$0.5 million in cash spread across all asset classes

\*\*\* Average annual growth target (net of advisory fees) budgeted at -5% for FY 09

Note 1: Total portfolio annual performance and benchmark ROI calculations have been adjusted to more closely reflect SmithBarney calculations

**S&P performance over the same 12 month period -9.30%**

**NASDAQ performance over the same 12 month period 1.50%**

***FY09 operating results stay within ~1% of budget and Net ROI finishes ~\$0.5M ahead of plan***



	<b>Actual FY09</b>	<b>Budget FY09</b>	<b>Variance</b>
<b>Revenues</b>	<b>2,898</b>	<b>2,946</b>	<b>(48)</b>
<b>Expenses</b>			
<b>Corporate G&amp;A</b>	<b>3,561</b>	<b>3,625</b>	<b>64</b>
<b>Program</b>	<b>2,488</b>	<b>2,434</b>	<b>(54)</b>
	<b>6,049</b>	<b>6,059</b>	<b>10</b>
<b>Operating Loss</b>	<b>(3,151)</b>	<b>(3,113)</b>	<b>(38)</b>
<b>Net ROI</b>	<b>(1,103)</b>	<b>(1,588)</b>	<b>485</b>
<b>Change in Net Assets</b>	<b>(\$4,254)</b>	<b>(\$4,701)</b>	<b>\$447</b>

(\$000's)

***FY09 funding for operations, debt reduction and and negative ROI reduces portfolio by \$5.2 million***



	(\$Millions)		
	Actual	Budget	Variance
<b>Beginning Investment Balance</b>	<b>27.7</b>	<b>27.7</b>	
CF from Operations	<b>(3.0)</b>	<b>(2.8)</b>	<b>(0.2)</b>
LOC paydown	<b>(1.2)</b>	<b>(1.2)</b>	<b>0.0</b>
ROI	<b>(1.0)</b>	<b>(1.4)</b>	<b>0.4</b>
<b>Net Activity</b>	<b>(5.2)</b>	<b>(5.4)</b>	<b>0.2</b>
<b>Ending Investment Balance</b>	<b>22.5</b>	<b>22.3</b>	<b>0.2</b>

***FY10 budget cuts operating loss by ~25% as SURA moves forward with its new 5 year plan – ROI also expected to show improvement as the economy moves out of recession***



	<b>Budget FY10</b>	<b>Actual FY09</b>	<b>Variance</b>
<b>Revenues</b>	<b>2,676</b>	<b>2,898</b>	<b>(222)</b>
<b>Expenses</b>			
<b>Corporate G&amp;A</b>	<b>3,396</b>	<b>3,561</b>	<b>165</b>
<b>Program</b>	<b>1,634</b>	<b>2,488</b>	<b>854</b>
	<b>5,030</b>	<b>6,049</b>	<b>1,019</b>
<b>Operating Loss</b>	<b>(2,354)</b>	<b>(3,151)</b>	<b>797</b>
<b>Net ROI</b>	<b>1,460</b>	<b>(1,103)</b>	<b>2,563</b>
<b>Change in Net Assets</b>	<b>(\$894)</b>	<b>(\$4,254)</b>	<b>\$3,360</b>

(\$000's)

***FY10 funding requirements continue to erode investment balance but at a much reduced pace***



	(\$Millions)		
	FY10 Budget	FY09 Actual	Variance
<b>Beginning Investment Balance</b>	23.5	27.7	
<b>CF from Operations</b>	<b>(2.2)</b>	<b>(3.0)</b>	0.8
<b>LOC paydown (TBD)</b>	0.0	0.0	0.0
<b>ROI</b>	1.5	<b>(1.0)</b>	2.5
<b>Net Activity</b>	<b>(0.7)</b>	<b>(4.0)</b>	3.3
<b>Ending Investment Balance</b>	<b>22.8</b>	<b>23.7</b>	<b>3.3</b>