State of Illinois
Illinois Student Assistance Commission

Financial Audit
For the Year Ended June 30, 2016

Performed as Special Assistant Auditors for the
Auditor General, State of Illinois

RSM

State of Illinois
Illinois Student Assistance Commission
Financial Audit
For the Year Ended June 30, 2016

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State of Illinois
Illinois Student Assistance Commission

Agency Officials

Executive Director	Eric Zarnikow
Chief Financial Officer	Shoba Nandhan
Chief Investment Officer	Kent Custer
General Counsel	Karen Salas

Agency offices are located at:

1755 Lake Cook Road
Deerfield, IL 60015

500 West Monroe
Springfield, IL 62704

100 West Randolph
Suite 3-200
Chicago, IL 60601

Financial Statement Report

Summary

The audit of the accompanying financial statements of the State of Illinois, Illinois Student Assistance Commission (Commission) was performed by RSM US LLP.

Based on their audit, the auditors expressed an unmodified opinion on the Commission's basic financial statements.

Summary of Findings

The auditors identified an instance of noncompliance and other matters. The instance of noncompliance and other matters is described in the accompanying Schedule of Findings on page 149, as finding 2016-001 (Debt Covenant Violation).

Exit Conference

In correspondence received from Wendy Funk, Director of Accounting and Finance, on December 19, 2016, the Commission elected to waive a formal exit conference. The response to the recommendation was provided by Erik Zarnikow, Executive Director, in correspondence dated December 19, 2016.

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois, and

Mr. Kevin B. Huber
Chair of the Governing Board
Illinois Student Assistance Commission

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Student Assistance Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2, the financial statements of the State of Illinois, Illinois Student Assistance Commission are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Illinois Student Assistance Commission. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2016, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13, the Illinois Prepaid Tuition Program Fund has a deficit as of June 30, 2016 of $215 million. The amount of the fund deficit is highly dependent on the actuarial assumptions used to calculate the present value of the future tuition benefits obligation.

As discussed in Note 15, beginning net position was restated to reflect the implementation of GASB Statement No. 72, *Fair Value Measurement and Application.*

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the budgetary comparison information on page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis and pension related information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Illinois Student Assistance Commission's basic financial statements. The accompanying supplementary and other information, consisting of combining and individual fund financial statements and schedules, as well as the actuarial soundness valuation reports, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information related to the actuarial soundness reports have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, the Commission Board and Audit Committee, and Commission management and is not intended to be, and should not be, used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
December 21, 2016

State of Illinois
Illinois Student Assistance Commission

Statement of Net Position
June 30, 2016
(All dollar amounts are expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Assets			
Current			
Unrestricted			
Unexpended appropriations	$ 839	$ -	$ 839
Cash and cash equivalents	630	109,355	109,985
Investments	-	150,002	150,002
Receivables			
Contracts	-	15,323	15,323
Intergovernmental	-	24,466	24,466
Accrued interest on investments	-	44	44
Other	50	-	50
Securities lending collateral	-	23,638	23,638
Due from other State funds	-	289	289
Due from State of Illinois component units	41	-	41
Total current assets - unrestricted	1,560	323,117	324,677
Restricted			
Cash and cash equivalents	-	16,709	16,709
Receivables			
Student loans, net	-	57,475	57,475
Accrued interest on loans	-	13,403	13,403
Other	-	15	15
Total current assets - restricted	-	87,602	87,602
Non-current			
Unrestricted			
Investments	-	815,452	815,452
Contracts receivable	-	35,884	35,884
Notes receivable	5,788	-	5,788
Capital assets, net of accumulated depreciation	10,623	2,397	13,020
Total non-current assets - unrestricted	16,411	853,733	870,144
Restricted			
Student loans receivable, net	-	353,062	353,062
Total non-current assets - restricted	-	353,062	353,062
Total assets	17,971	1,617,514	1,635,485
Deferred Outflows of Resources			
Pension related amounts	$ 35,342	$ 7,383	$ 42,725

(Continued)

State of Illinois
Illinois Student Assistance Commission

Statement of Net Position (Continued)
June 30, 2016
(All dollar amounts are expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 1,155	$ 13,414	$ 14,569
Accrued interest payable	-	749	749
Federal special allowance and interest subsidy	-	927	927
Due to other State funds	-	417	417
Due to State of Illinois component units	74	287	361
Unearned revenue	2	-	2
Securities lending collateral obligation	-	23,638	23,638
Intergovernmental payable	-	7,061	7,061
Compensated absences	-	195	195
Tuition obligation	-	152,815	152,815
Line of credit	-	158,257	158,257
Total current liabilities	1,231	357,760	358,991
Non-current			
Revenue bonds and notes payable, net	-	226,761	226,761
Net pension liability	41,566	48,622	90,188
Compensated absences	-	1,683	1,683
Tuition obligation	-	1,077,984	1,077,984
Total non-current liabilities	41,566	1,355,050	1,396,616
Total liabilities	42,797	1,712,810	1,755,607
Deferred Inflows of Resources			
Unamortized deferred amount on refunding	-	41,099	41,099
Pension related amounts	1,668	39,553	41,221
Total deferred inflows of resources	1,668	80,652	82,320
Net Position			
Investment in capital assets	10,623	2,397	13,020
Restricted for debt service	-	12,871	12,871
Restricted for federal programs	-	40,087	40,087
Unrestricted	(1,775)	(223,920)	(225,695)
Total net position	$ 8,848	$ (168,565)	$ (159,717)

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission

Statement of Activities
Year Ended June 30, 2016
(All dollar amounts are expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Governmental activities			
Education			
Scholarships, awards and grants	$ 181,968	$ -	$ 41
Total governmental activities	181,968	-	41
Business-type activities			
Education			
Student loan purchase program	13,960	19,547	-
Prepaid tuition	57,776	16,443	44,549
Loan guarantee program	150,121	39,206	130,364
Total business-type activities	221,857	75,196	174,913
Total Commission	$ 403,825	$ 75,196	$ 174,954

General revenues and transfers
General revenues
Appropriations from State resources
Lapsed appropriations
Receipts remitted to State Treasury
SERS on behalf contribution
Investment income
Miscellaneous
Transfers
Total general revenues and transfers

Change in net position

Net position (deficit) July 1, 2015, as restated

Net position (deficit) June 30, 2016

See Notes to Financial Statements.

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (181,927)	$ -	$ (181,927)
(181,927)	-	(181,927)
-	5,587	5,587
-	3,216	3,216
-	19,449	19,449
-	28,252	28,252
(181,927)	28,252	(153,675)
177,790	-	177,790
(1,925)	-	(1,925)
(2,973)	-	(2,973)
2,658	-	2,658
-	438	438
368	-	368
259	(259)	-
176,177	179	176,356
(5,750)	28,431	22,681
14,598	(196,996)	(182,398)
$ 8,848	$ (168,565)	$ (159,717)

State of Illinois
Illinois Student Assistance Commission

Balance Sheet
Governmental Funds
June 30, 2016
(All dollar amounts are expressed in thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Unexpended appropriations	$ 839	$ -	$ 839
Cash and cash equivalents	-	630	630
Due from State of Illinois component units	41	-	41
Other receivables	-	50	50
Notes receivable, net of allowance of $29,898	5,788	-	5,788
Total assets	$ 6,668	$ 680	$ 7,348
Liabilities			
Accounts payable and accrued liabilities	$ 806	$ 349	$ 1,155
Due to State of Illinois component units	54	20	74
Unearned revenues	-	2	2
Total liabilities	860	371	1,231
Fund Balances			
Nonspendable - notes receivable	5,788	-	5,788
Committed	-	309	309
Unassigned	20	-	20
Total fund balances	5,808	309	6,117
Total liabilities and fund balances	$ 6,668	$ 680	$ 7,348

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position
June 30, 2016
(All dollar amounts are expressed in thousands)

Total fund balances - governmental funds		$ 6,117
Amounts reported for governmental activities in the Statement of Net Position are different due to:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 2,700	
Buildings	19,229	
Equipment	51	
Accumulated depreciation	(11,357)	
Total capital assets		10,623
Some liabilities, deferred outflows of resources and deferred inflows of resources reported in the Statement of Net Position do not require the use of current (or provide) financial resources and, therefore, are not reported in governmental funds. These amounts consist of:		
Deferred outflows - pension related	35,342	
Net pension liability	(41,566)	
Deferred inflows - pension related	(1,668)	
		(7,892)
Net position of governmental activities		$ 8,848

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2016
(All dollar amounts are expressed in thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Federal government	$ -	$ 41	$ 41
Other	-	368	368
Total revenues	-	409	409
Expenditures			
Education			
Scholarships, awards and grants	175,136	555	175,691
Capital outlay - building improvement	-	259	259
Total expenditures	175,136	814	175,950
Deficiency of revenues over expenditures	(175,136)	(405)	(175,541)
Other sources (uses) of financial resources			
Appropriations from State resources	177,740	50	177,790
Lapsed appropriations	(1,925)	-	(1,925)
Receipts remitted to State Treasury	(2,973)	-	(2,973)
SERS on behalf contribution	2,658	-	2,658
Transfers in	-	259	259
Net other sources (uses) of financial resources	175,500	309	175,809
Net change in fund balance	364	(96)	268
Fund balance, July 1, 2015	5,444	405	5,849
Fund balance, June 30, 2016	$ 5,808	$ 309	$ 6,117

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities
Year Ended June 30, 2016
(All dollar amounts are expressed in thousands)

Net change in fund balances - total governmental funds	$ 268
Amounts reported for governmental activities in the Statement of Activities are different due to:	
Governmental funds report capital outlays as expenditures while the Statement of Activities reports depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation ($498) exceeded capital outlay ($259) in FY2016.	(239)
Some amounts reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
Decrease in unpaid accumulated vacation and sick leave	1,400
Increase in deferred ouflows	35,044
Increase in deferred inflows	(1,633)
Increase in net pension liability	(40,590)
Change in net position of governmental activities	$ (5,750)

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission

Statement of Net Position
Enterprise Funds
June 30, 2016
(All dollar amounts are expressed in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Assets				
Current				
Unrestricted				
Cash and cash equivalents	$ 19,930	$ 1,751	$ 87,674	$ 109,355
Investments	1,000	149,002	-	150,002
Receivables				
Contracts	-	15,323	-	15,323
Intergovernmental	-	-	24,466	24,466
Accrued interest on investments	-	1	43	44
Securities lending collateral	-	-	23,638	23,638
Due from other State funds	-	-	289	289
Due from other ISAC funds	-	-	2,393	2,393
Total current assets - unrestricted	20,930	166,077	138,503	325,510
Restricted				
Cash and cash equivalents	16,709	-	-	16,709
Receivables				
Student loans receivable, net of allowance of $9,098	57,475	-	-	57,475
Accrued interest on loans	13,403	-	-	13,403
Other	15	-	-	15
Total current assets - restricted	87,602	-	-	87,602
Noncurrent				
Unrestricted				
Investments	-	815,452	-	815,452
Contracts receivable	-	35,884	-	35,884
Capital assets, net of accumulated depreciation	-	-	2,397	2,397
Total noncurrent assets - unrestricted	-	851,336	2,397	853,733
Restricted				
Student loans receivable, net of allowance of $55,885	353,062	-	-	353,062
Total noncurrent assets - restricted	353,062	-	-	353,062
Total assets	461,594	1,017,413	140,900	1,619,907
Deferred Outflows of Resources				
Pension related amounts	386	-	6,997	7,383
Total assets and deferred outflows of resources	$ 461,980	$ 1,017,413	$ 147,897	$ 1,627,290

(Continued)

State of Illinois
Illinois Student Assistance Commission

Statement of Net Position (Continued)
Enterprise Funds
June 30, 2016
(All dollar amounts are expressed in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Liabilities				
Current				
Accounts payable and accrued liabilities	$ 225	$ 1,167	$ 12,022	$ 13,414
Accrued interest payable	749	-	-	749
Tuition obligation	-	152,815	-	152,815
Federal special allowance and interest subsidy	927	-	-	927
Due to other ISAC funds	2,112	281	-	2,393
Due to other State funds	-	-	417	417
Due to State of Illinois component units	-	287	-	287
Securities lending collateral obligation	-	-	23,638	23,638
Intergovernmental payable	-	-	7,061	7,061
Compensated absences	8	-	187	195
Revolving credit line	158,257	-	-	158,257
Total current liabilities	162,278	154,550	43,325	360,153
Noncurrent				
Tuition obligation	-	1,077,984	-	1,077,984
Revenue bonds and notes payable, net	226,761	-	-	226,761
Net pension liability	2,689	-	45,933	48,622
Compensated absences	68	-	1,615	1,683
Total noncurrent liabilities	229,518	1,077,984	47,548	1,355,050
Total liabilities	391,796	1,232,534	90,873	1,715,203
Deferred Inflows of Resources				
Unamortized deferred amount on refunding	41,099	-	-	41,099
Pension related amounts	4,246	-	35,307	39,553
Total deferred inflows of resources	45,345	-	35,307	80,652
Net Position				
Net investment in capital assets	-	-	2,397	2,397
Restricted for debt service	12,871	-	-	12,871
Restricted for federal grant programs	-	-	40,087	40,087
Unrestricted	11,968	(215,121)	(20,767)	(223,920)
Total net position	24,839	(215,121)	21,717	(168,565)
Total liabilities, deferred inflows of resources and net position	$ 461,980	$ 1,017,413	$ 147,897	$ 1,627,290

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission

Statement of Revenues, Expenses and Changes in Net Position - Enterprise Funds
Year Ended June 30, 2016
(All dollar amounts are expressed in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Operating revenues				
Investment income				
Interest - student loans	$ 19,371	$ -	$ -	$ 19,371
Income - investments (net of closed end funds investment management fees of $2,343)	16	44,416	-	44,432
Interest - other	-	133	-	133
Total investment income	19,387	44,549	-	63,936
Other operating revenues				
Fees	176	434	-	610
Tuition contract revenue	-	16,009	-	16,009
Portfolio maintenance fees	-	-	2,405	2,405
Direct consolidation cost	-	-	6,854	6,854
Collections on student loans previously reimbursed by the U.S. Department of Education	-	-	28,748	28,748
Other	-	-	1,199	1,199
Total other operating revenues	176	16,443	39,206	55,825
Total operating revenues	19,563	60,992	39,206	119,761
Operating expenses				
Interest and other student loan expenses				
Interest expense				
Revenue bonds and notes	278	-	-	278
Amortization of loan premiums	1,399	-	-	1,399
Other student loan fees	1,621	-	-	1,621
Provision for loan losses	4,343	-	-	4,343
Total interest and other student loan expenses	7,641	-	-	7,641

(Continued)

State of Illinois
Illinois Student Assistance Commission

Statement of Revenues, Expenses and Changes in Net Position - Enterprise Funds (Continued)
Year Ended June 30, 2016
(All dollar amounts are expressed in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Other operating expenses				
Salaries and employee benefits	$ (640)	$ 2,369	$ 6,991	$ 8,720
Loan guarantee	-	-	132,955	132,955
External loan servicing	1,799	-	-	1,799
Accreted tuition expenses	-	48,473	-	48,473
Investment management fees	-	1,472	-	1,472
Investment advisory fees	-	1,599	-	1,599
Management and professional services	880	3,863	9,777	14,520
Depreciation	-	-	398	398
Other	38	-	-	38
Total other operating expenses	2,077	57,776	150,121	209,974
Total operating expenses	9,718	57,776	150,121	217,615
Operating income (loss)	9,845	3,216	(110,915)	(97,854)
Non-operating revenues (expenses)				
Federal government special allowance and interest subsidy	(4,242)	-	-	(4,242)
Federal government	-	-	130,364	130,364
Interest revenue	-	-	422	422
Total non-operating revenues (expenses)	(4,242)	-	130,786	126,544
Income before transfers	5,603	3,216	19,871	28,690
Transfers out	-	-	(259)	(259)
Change in fund net position	5,603	3,216	19,612	28,431
Net position (deficit), July 1, 2015, as restated	19,236	(218,337)	2,105	(196,996)
Net position (deficit), June 30, 2016	$ 24,839	$ (215,121)	$ 21,717	$ (168,565)

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission

Statement of Cash Flows - Enterprise Funds
Year Ended June 30, 2016
(All dollar amounts are expressed in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Cash flows from operating activities				
Cash received from fees and other charges	$ -	$ 434	$ 156,078	$ 156,512
Cash payments for tuition	-	(124,216)	-	(124,216)
Cash payments to suppliers for goods and services	(1,336)	(3,247)	(4,924)	(9,507)
Cash payments to employees for services	(730)	(2,369)	(13,486)	(16,585)
Cash payments for loan guarantees	-	-	(136,980)	(136,980)
Cash receipts from tuition contracts	-	26,375	-	26,375
Cash payments for refund of contracts	-	(15,313)	-	(15,313)
Cash received from student loans and fees	84,104	-	-	84,104
Cash payments for student loans	(4,880)	-	-	(4,880)
Cash payments for other operating activities	-	-	(127,814)	(127,814)
Net cash provided (used) by operating activities	77,158	(118,336)	(127,126)	(168,304)
Cash flows from noncapital financing activities				
Principal paid on revenue bonds and other borrowings	(69,144)	-	-	(69,144)
Interest paid on revenue bonds and other borrowings	(4,013)	-	-	(4,013)
Special allowance and interest subsidy	(4,587)	-	-	(4,587)
Transfers in	-	-	32,407	32,407
Transfers out	-	-	(32,316)	(32,316)
Federal government grants	-	-	129,272	129,272
Net cash provided (used) by noncapital financing activities	(77,744)	-	129,363	51,619
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	-	(264)	(264)
Cash flows from investing activities				
Purchase of investment securities	(1,995)	(134,693)	-	(136,688)
Proceeds from sales and maturities of investment securities	5,017	232,464	-	237,481
Interest and dividends on investments	13	18,991	413	19,417
Cash paid to investment managers	-	(1,472)	-	(1,472)
Net cash provided by investing activities	3,035	115,290	413	118,738
Increase (decrease) in cash and cash equivalents	2,449	(3,046)	2,386	1,789
Cash and cash equivalents, July 1, 2015	34,190	4,797	85,288	124,275
Cash and cash equivalents, June 30, 2016	$ 36,639	$ 1,751	$ 87,674	$ 126,064

(Continued)

State of Illinois
Illinois Student Assistance Commission

Statement of Cash Flows - Enterprise Funds (Continued) **Year Ended June 30, 2016** **(All dollar amounts are expressed in thousands)**	**Illinois Designated Account Purchase Program Fund**	**Illinois Prepaid Tuition Program Fund**	**Nonmajor Enterprise Funds**	**Total**
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	$ 9,845	$ 3,216	$ (110,915)	$ (97,854)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	398	398
Investment income	(16)	(41,381)	-	(41,397)
Interest expense	278	-	-	278
Accreted tuition contract revenue	-	(16,009)	-	(16,009)
Amortization of student loan premiums	1,399	-	-	1,399
Accreted tuition expense	-	48,473	-	48,473
Provision for loan losses	4,343	-	-	4,343
Change in assets, liabilities and deferred outflows/ inflows of resources				
Contracts receivable	-	8,615	-	8,615
Student loans receivable	63,562	-	-	63,562
Intergovernmental receivables	-	-	56	56
Accrued interest - loans and notes	(645)	-	-	(645)
Due from other State funds	-	-	(71)	(71)
Due from State of Illinois component units	-	-	21	21
Accounts payable and accrued liabilities	(45)	252	(3,239)	(3,032)
Intergovernmental payables	-	-	(6,703)	(6,703)
Due to other ISAC funds	(193)	77	11	(105)
Due to other State funds and component units	-	287	(156)	131
Tuition obligation	-	(121,866)	-	(121,866)
Compensated absences	19	-	1,134	1,153
Deferred inflows related to pensions	(214)	-	32,074	31,860
Deferred outflows related to pensions	175	-	5,020	5,195
Net pension liability	(1,350)	-	(44,756)	(46,106)
Total adjustments	67,313	(121,552)	(16,211)	(70,450)
Net cash provided (used) by operating activities	$ 77,158	$ (118,336)	$ (127,126)	$ (168,304)
Supplemental disclosure of noncash transactions:				
Net appreciation in fair value of investments	$ 4	$ 41,638	$ -	$ 41,642

See Notes to Financial Statements.

Note 1. Organization

The Illinois Student Assistance Commission (ISAC or Commission) is a part of the executive branch of government of the State of Illinois (State). ISAC operates under a budget approved by the General Assembly in which resources are appropriated for the use of ISAC. Activities of ISAC are subject to the authority of the Office of the Governor, the State's Chief Executive Officer, and other departments of the executive branch of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to ISAC and all other cash received are under the custody and control of the State Treasurer, with the exception of the Illinois Designated Account Purchase Program (IDAPP) a locally held fund, and College Illinois! funds that are held in Trust.

ISAC was established through the Higher Education Student Assistance Act in 1957. The agency is governed by the Commission, a board of ten persons appointed by the Governor, who serve without compensation for a term of six years, except for one member who serves for a term of two years. It employs and provides direction to an Executive Director who is responsible for overseeing and implementing the Commission's day-to-day operations. The Commission's operations office is at 1755 Lake Cook Road in Deerfield, with additional offices located at 500 West Monroe in Springfield and 100 West Randolph in Chicago.

The Commission was created to establish and administer a system of financial assistance through student loans and loan guarantees; scholarships and grant awards; and a prepaid tuition program for residents of the State to enable them to attend qualified public or private institutions of their choice within Illinois. The Commission fulfills this purpose by administering the following programs:

A. Monetary Award Program (MAP)

This program was created to provide financial assistance to qualifying students who are residents of the State and enrolled at an approved post-secondary institution in Illinois. The monetary awards are granted on the basis of student financial need and the availability of funds. The grant provides up to $4,968 in fiscal year 2016 for the payment of tuition and mandatory fees. The program is usually funded by the General Fund appropriation**.**

B. Illinois Veteran Grant

The Illinois Veteran Grant (IVG) Program pays eligible tuition and mandatory fees at all Illinois public universities or public community colleges for veterans. Qualified applicants may use this grant at the undergraduate or graduate level for the equivalent of four academic years of full-time enrollment.

This grant is an entitlement program and is awarded to eligible applicants regardless of the funding level. If funds appropriated for ISAC are insufficient to reimburse public post-secondary institutions for all recipients, the obligation to pay is transferred to the institution. This program was not funded in fiscal year 2016.

C. Illinois National Guard Grant

The Illinois National Guard (ING) Grant pays tuition and eligible fees at all Illinois public universities or public community colleges to members of the Illinois National Guard. This grant can be used for either undergraduate or graduate enrollment for the equivalent of four academic years of full-time enrollment.

The ING Grant is an entitlement program and is awarded to eligible recipients regardless of the funding level. If funds appropriated for ISAC are insufficient to reimburse public post-secondary institutions for all recipients, the obligation to pay is transferred to the institution where the guard member attends school. This program was not funded in fiscal year 2016.

Note 1. Organization (Continued)

D. Golden Apple Scholars of Illinois

The Golden Apple Scholars of Illinois Program encourages academically talented Illinois students, especially minority students, to pursue teaching careers, especially in teacher shortage disciplines or at hard-to-staff schools.

The privately-operated Golden Apple program provides grants towards tuition and fees that must be repaid by recipients who do not subsequently fulfill a work requirement; Golden Apple also provides mentoring and support services and the opportunity to attend summer institutes on teaching. This program was not funded in fiscal year 2016.

E. Minority Teachers Scholarship Program

The Minority Teachers of Illinois (MTI) Scholarship Program encourages academically talented minority students to pursue careers as teachers at nonprofit Illinois preschool, elementary and secondary schools. The program also aims to provide minority children with access to a greater number of positive minority role models.

Scholars receive financial assistance of up to $5,000 to attend a course of study which, upon completion, qualifies the student to be certified as a preschool, elementary or secondary school teacher by the Illinois State Board of Education, including alternative teacher certification; and in exchange the recipient pledges to teach full time (one year for each year in which scholarship assistance was received) in a nonprofit Illinois public, private, or parochial preschool, elementary or secondary school with at least 30% minority enrollment. This program was not funded in fiscal year 2016.

F. Grant Program for Dependents of Police, Fire or Correctional Officers (Dependents Grant)

The Dependents Grant provides that the spouse or child of an Illinois police, fire officer or correctional officer who was killed or became at least 90 percent disabled in the line of duty, may be eligible for this grant. This grant provides assistance toward college tuition and mandatory fees for undergraduate or graduate study at an ISAC-approved Illinois college. This program was not funded in fiscal year 2016.

G. Illinois Teacher Loan Repayment Program

The Illinois Teachers Loan Repayment Program provides awards to encourage academically talented Illinois students to teach in Illinois schools in low-income areas. If the teaching obligations are met by a Federal Stafford loan borrower who has qualified for the federal government’s loan forgiveness programs, Illinois may provide an additional matching award of up to $5,000 to the qualifying teacher to repay their student loan debt. This program was not funded in fiscal year 2016.

H. Nurse Educator Loan Repayment Program

In an effort to address the shortage of nurses and the lack of instructors to staff courses teaching nursing in Illinois, the Nurse Educator Loan Repayment Program encourages longevity and career change opportunities. The program is intended to pay eligible loans to add an incentive to nurse educators in maintaining their teaching careers within the State of Illinois. The annual awards to qualified nurse educators may be up to $5,000 to repay their student loan debt, and may be received for up to a maximum of four years. This program was not funded in fiscal year 2016.

Note 1. Organization (Continued)

I. Veterans' Home Medical Providers’ Loan Repayment Act

The Veterans' Home Medical Providers’ Loan Repayment Act provides for the payment of eligible educational loans as an incentive for nurses to pursue and continue their careers at State of Illinois veterans' homes. The annual award to qualified registered professional nurses and licensed practical nurses may be up to $5,000 to repay their student loan debt. This award may be received for up to a maximum of four years. This program was not funded in fiscal year 2016.

J. Special Education Teacher Tuition Waiver

This program is for teachers or academically talented students pursuing a career in special education as a nonprofit public, private or parochial preschool, elementary or secondary school teacher in Illinois. This program provides exemptions from paying tuition and mandatory fees at eligible institutions, for up to four calendar years. Awards are not subject to annual appropriations by the Illinois General Assembly and the Governor.

K. Illinois State Scholars

The Illinois State Scholar program is awarded to high school seniors based on ACT or SAT test scores and the sixth semester class rank, class size and unweighted Grade Point Average (GPA).

Each student designated as a State Scholar receives a congratulatory letter, a Certificate of Achievement and statewide recognition in the news media. To be honored as a State Scholar in Illinois is an outstanding accomplishment that will be a highlight of the recipient’s academic record. This program was not funded in fiscal year 2016.

L. Ancillary Award Programs

The following Ancillary Award programs, funded by the General Fund supplement the scholarship and grant programs listed above:

- Illinois Incentive for Access Program (IIA)*
- Bonus Incentive Grant*
- Student to Student Program of Matching Grants*
- Merit Recognition Scholarships*
- ITEACH*
- Forensic Science Grants*
- Public Interest Attorney Loan Repayment Program
- Child Welfare Student Loan Forgiveness Program*
- Community College Transfer Grant Program*
- Grant for a Person Raised by a Grandparent*
- Grant for Program Participants in SIU-C Achieve Program*
- Grant Program for Exonerees*

* These programs were not funded in fiscal year 2016.

Note 1. Organization (Continued)

M. John R. Justice Student Loan Repayment Program

The John R. Justice Student Loan Repayment Program provides for the payment of eligible educational loans (both Federal Family Education Loan Program [FFELP] and Federal Direct Loans) for state and federal public defenders and state prosecutors who agree to remain employed as public defenders and prosecutors for at least three years. The annual awards to qualified defenders and prosecutors may be up to $4,000 (dependent on funding), up to an aggregate total of $60,000, to repay their student loan debt. If the employment commitment is not fulfilled, any amount received must be repaid.

N. Optometric Education Scholarship Program

The Optometric Education Scholarship Program provides scholarship assistance to encourage eligible students to pursue a graduate degree in optometry. A total of 10 scholarships are awarded each year.

The scholarship may be used to pay tuition and mandatory fees for two semesters, or three quarters in an academic year. The award amount determined by the institution will be the lesser of $5,000 or tuition and mandatory fees. If the obligation is not fulfilled the scholarship converts to a loan.

O. Federal Family Education Loan Program (FFELP)

This program was designed to stimulate the making of educational loans by Illinois commercial lenders to qualifying students by guaranteeing repayment of the loans through payments to lenders for defaulted loans. This program is federally funded through the United States Department of Education.

The Higher Education Act of 1965 (HEA) as amended by the Higher Education Amendments of 1998 (Pub.L. 105-244) required the agency to establish two funds for the Program's Administration, the Federal Student Loan Fund (FSLF) and the Student Loan Operating Fund (SLOF).

The Federal Student Loan Fund (FSLF) accounts for federal government program activities operated and maintained by ISAC. Section 422A(d) of the HEA allows the FSLF to be used primarily to pay lender claims and default aversion fees to ISAC's Student Loan Operating Fund (SLOF). The SLOF is used for ISAC's operating expenses. Resources reported in the SLOF are the State's earned activities and are administered by ISAC.

As a result of the Student Aid and Fiscal Responsibility Act (SAFRA), which was part of the Health Care and Education Reconciliation Act, no new loans have been made under the FFELP program since July 1, 2010.

P. Higher Education License Plate Grant Program

Working with the Secretary of State, participating public universities, community colleges and not-for-profit private colleges and universities in Illinois can have specialized collegiate license plates issued for their schools. Of the $75 fee charged for these specialized plates, $25 is used to fund a grant program called the Higher Education License Plate (HELP) Grant Program. Each participating public university and community college administers its own scholarship program using the funds received directly from the license plate fees. Participating private institutions receive a grant from proceeds generated by the license plate fee deposited into the University Grant Fund, a special fund in the State Treasury.

Note 1. Organization (Continued)

P. Higher Education License Plate Grant Program (Continued)

ISAC annually seeks appropriation authority to disburse these collected funds to the participating schools. Eligibility for HELP Grants is based on student need. Grants are used to pay tuition and fees up to a maximum grant of $2,000 per year. Funds must be used to support students who attend the institutions that generate the license plate revenue.

Q. *College Illinois!®*

Legislation authorizing ISAC to administer an Illinois Prepaid Tuition Program was passed in November 1997. The Illinois Prepaid Tuition Program is administered by ISAC with advice and counsel from an investment advisory panel consisting of seven members appointed by ISAC. The purpose of this program is to provide Illinois families with an affordable tax-advantaged method to pay for college. Illinois Prepaid Tuition contracts will allow participants to prepay the cost of tuition and mandatory fees at Illinois public universities and community colleges. Benefits of the contracts can also be used at private and out-of-state colleges and universities. Contracts can be purchased in a lump sum payment or in installments. The Illinois Prepaid Tuition Program has been named *College Illinois!®.*

For additional information, refer to the Illinois Prepaid Tuition Program Financial Audit, for the year ended June 30, 2016.

R. Illinois Designated Account Purchase Program (IDAPP)

The Illinois Designated Account Purchase Program (IDAPP), a program of ISAC, was created through an Act of the State of Illinois (State) General Assembly to increase participation of eligible lenders in ISAC's Student Loan Programs by purchasing guaranteed student loans from lenders in order to reduce the lenders' collection and administrative costs.

IDAPP facilitated lender participation in the student loan programs by reducing the overall risk and collection expenses those lenders faced. One of the major incentives offered by the Commission was that IDAPP took over servicing the loan after it was purchased from the lender. Sales of loans to the Commission gave the lenders the capital to make new and renewal loans.

Capital to support IDAPP was funded through the sale of revenue notes and bonds. The capital borrowings and IDAPP’s operational costs are repaid with student loan repayments (or recovery through the guarantor agencies), collection of interest and fees on student loans, and special allowances and interest received from the U.S. Department of Education. Almost all of IDAPP’s funds are held locally in various banks and financial institutions. It is reported as a Proprietary Fund.

As a result of the Student Aid and Fiscal Responsibility Act (SAFRA), which was part of the Health Care and Education Reconciliation Act, the FFELP program has been ended by the Department of Education since July 1, 2010.

Note 1. Organization (Continued)

R. Illinois Designated Account Purchase Program (IDAPP) (Continued)

Since the end of the FFELP program, there have been no new disbursements of loans from IDAPP. The agency is administering the wind-down of the existing portfolio. In addition, a majority of the student loan portfolio was sold /refinanced between 2007 and 2010.

Based on the size of its portfolio, IDAPP used to be a major fund for the State of Illinois. The Commission issued stand-alone statements for the IDAPP fund. However, as a result of the refinancing and the wind-down of the portfolio, IDAPP is no longer a major fund for the state. In addition, the agreements with the Bond Trustees do not mandate stand-alone statements for the fund. ISAC's consolidated financial statements can be submitted instead of the stand-alone statements. As a result effective FY 2016, the Commission will not be issuing separate stand-alone statements for IDAPP.

The IDAPP fund is still reflected separately on the Statement of Net Position - Enterprise Funds, Statement of Revenues, Expenses and Changes in Net Position - Enterprise Funds and Statement of Cash Flows - Enterprise Funds in the ISAC Consolidated financial statements.

S. Alternative Loan Program

In order to make post-secondary educational opportunities more accessible for qualified students, ISAC offered a program of “Alternative Loans” to supplement existing federal and state student financial assistance programs. No new loans have been made under the program since 2010.

Note 2. Summary of Significant Accounting Policies

The financial statements of the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

A. Financial Reporting Entity

The Commission is an agency of the State. As such, the Governor of the State determines designation of the governing authority. The State also maintains overall accountability for the Commission’s fiscal matters. The Commission operates under a budget approved by the General Assembly in which resources primarily from the State’s General Revenue and Special Revenue Funds as well as the Federal Student Loan and Student Loan Operating Funds are appropriated for the use of the Commission. Activities of the Commission are subject to the authority of the Office of the Governor, the State’s Chief Executive Officer and other departments of the executive branch of government (such as the State Comptroller’s Office and the State Treasurer’s Office) as defined by the General Assembly.

Note 2. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

The Commission is not legally separate from the State; the financial statements of the Commission are included in the financial statements of the State. The State's Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1871.

All funds appropriated to the Commission and all other cash received are under the custody and control of the State Treasurer, with the exception of IDAPP funds, College Illinois funds, and certain locally held funds, which are under the direct control of the Commission. As an integral unit of the State, the Commission prepares its year-end financial statements utilizing the State's basis of accounting and fund classifications. The accompanying financial statements present the financial position, results of operations and cash flows of all funds that comprise the Commission. The Commission's financial statements are an integral part of the State's overall comprehensive annual financial report.

A. Basis of presentation

***Government-wide Statements*.** The government-wide statement of net position and statement of activities report the overall financial activity of the Commission. Eliminations have been made to minimize the double counting of internal activities of the Commission. These statements distinguish between the *governmental* and *business-type* activities of the Commission. Governmental activities generally are financed through appropriations, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are clearly identifiable with a specific function, including each activity's share of allocated (shared) costs. Interest expense related to borrowing for student loan activities (business-type activities) totaling $1,677 (including amortization) is included in student loan purchase program expense in the Statement of Activities. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all appropriations, are presented as general revenues.

***Fund Financial Statements*.** The fund financial statements provide information about the Commission's funds. Separate statements for each fund category - governmental and proprietary (enterprise) - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and certain investment earnings, and gains and losses from sales of the loan portfolio, result from non-exchange transactions or ancillary activities. Due to the nature of IDAPP and Illinois Prepaid Tuition Program activities, income from investments is considered operating activities, and interest expense is considered an operating activity in IDAPP's Statement of Revenues, Expenses, and Changes in Net Position.

Note 2. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The Commission administers the following major governmental fund of the State:

General – This is the Commission's portion of the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services, which are administered by the Commission and accounted for in the General Fund, include a program of financial assistance through scholarship and grant awards for residents of the State.

For fiscal year 2016, the Commission received appropriations through the General Fund - Educational Assistance Account. This account is a shared account and its activity (if any) attributed to the operations of the Commission is combined with the General Revenue Account for report presentation purposes. Any monies received by this fund are held in the State Treasury.

The Commission administers the following major enterprise funds of the State:

Illinois Designated Account Purchase Program (IDAPP) – This fund accounts for the activities of the Illinois Designated Account Purchase Program (referred throughout this report as "IDAPP") including issuance of debt and acquisition of student loans from lenders and the subsequent collection of the loans.

Illinois Prepaid Tuition Program (*College Illinois!®*) – This fund accounts for the activities of the Illinois Prepaid Tuition Program (referred throughout this report as "*College Illinois*!®") including the sale of Illinois prepaid tuition contracts, investment of funds and payment of benefits of the contracts to participants.

Additionally, the Commission administers the following fund types:

Special Revenue Funds – Special Revenue Funds account for transactions related to resources obtained from specific revenue sources that are legally restricted, committed or assigned to expenditures for specific purposes. Special Revenue Funds are also used to account for federal grant programs. These funds are presented as a part of the nonmajor governmental funds.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest relating to certificates of participation for the building located in Deerfield. This fund is presented as a part of the nonmajor governmental funds.

Enterprise Funds – Enterprise Funds are used to account for the Commission's ongoing organizations and activities, which are similar to those often found in the private sector. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned and expenses incurred is appropriate for capital maintenance, public policy, management control, accountability or other purposes. All business-type funds of the Commission are classified as enterprise funds.

Note 2. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The government-wide and enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, includes grants and similar items and are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

ISAC reports unearned revenue on its financial statements. Unearned revenues arise when resources are received by ISAC before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met or when ISAC has a legal claim to the resources, the liability for unearned revenues is removed from the financial statements and revenue is recognized.

Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, pensions and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest and federal grant revenues are significant revenue sources, which are susceptible to accrual. All other revenue sources such as fines, penalties, licenses and other miscellaneous revenues are considered to be measurable and available only when cash is received.

D. Shared Fund Presentation

The financial statement presentation for the General Fund and the University Grant Fund, part of the nonmajor governmental funds, represents only the portion of shared funds that can be directly attributed to the operations of the Commission. Financial statements for total fund operations of the shared State funds are presented in the State's Comprehensive Annual Financial Report.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Commission's portion of shared funds:

<u>Unexpended Appropriation</u>

This "asset" account represents lapse period warrants issued between July and August for fiscal year 2016 in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

Note 2. Summary of Significant Accounting Policies (Continued)

D. Shared Fund Presentation (Continued)

Appropriations from State Resources

This "other financing source" account represents the final legally adopted appropriation according to SAMS records. The amounts reported are net of any re-appropriations to subsequent years and the difference between current and prior year liabilities for re-appropriated accounts. Re-appropriations reflect the State's realignment of the budgetary needs to the subsequent year and avoid double counting a portion of the appropriation in more than one fiscal year.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 18-month period from July to December of the following year and re-appropriations to subsequent years according to SAMS records.

Receipts Remitted to State Treasury

This "other financing use" account represents all cash receipts received during the fiscal year from SAMS records.

Amount of SAMS Transfer In

This other financing use account represents cash transfers made by the Office of the Comptroller in accordance with statutory provisions to the corresponding fund during the fiscal year per SAMS records in which the Commission did not make a deposit into the State Treasury.

E. Budgetary Process

The State Constitution requires the Governor to prepare and submit to the General Assembly an executive budget for the ensuing fiscal year. The budget covers most funds held by the State, but excludes locally held funds and various treasury-held funds, which are not subject to appropriation pursuant to State law. The General Assembly enacts the budget through the passage of specific line-item appropriations (i.e., personnel services, contractual services, equipment, etc.), the sum of which must not exceed estimated revenues pursuant to the State Constitution. The Governor has the power to approve, reduce or veto each appropriation passed by the General Assembly. Transfers in/out contained in the Executive budget are not a part of the General Assembly's appropriation process.

The actual amounts are determined either by state law or by discretionary action available to the Governor. The SAMS controls expenditures by line item as established in approved appropriation bills and the level of legal control is reported in a publication titled "A Detailed Report of Expenditures and Revenues." A separate document is necessary since the State has over 6,500 appropriated line items.

Unexpended appropriations are available for subsequent expenditures to the extent that encumbrances have been incurred at June 30, provided they are presented for payment during the succeeding two-month lapse period. Certain appropriations referred to as "reappropriations" represent the General Assembly's approval for continuation of a prior year's program which requires additional time for completion.

Note 2. Summary of Significant Accounting Policies (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents consist principally of deposits held in the State Treasury. Cash and cash equivalents also include cash on hand, cash in banks for locally held funds, and highly liquid investments purchased with maturities of three months or less.

G. Investments

ISAC presents investments on its Statement of Net Position at fair value or amortized cost which approximates fair value. The net appreciation or depreciation in the fair value of investments since the prior fiscal year (or purchase date for fiscal year 2016 purchases) is included as investment income in the financial statements. Dividend and interest income are recorded in the period earned.

H. Contracts Receivable

Contracts receivable represents the amount *College Illinois!*® expects to receive from contract holders for contracts purchased on an installment basis. The actuarially determined present value of future contributions was $51,207 as of June 30, 2016 using a 6.75% discount rate. The program expects to receive contributions totaling $15,323 in fiscal year 2017. This amount has been classified as current contracts receivable on the Statement of Net Position. The total contract receivable balance is expected to be received over the next fifteen years.

I. Student Loans Receivable/Premiums

As a secondary lender, when IDAPP purchases loans from another lender, IDAPP may pay a premium on those loans. Premiums over $50 (in the aggregate) are capitalized and amortized on a straight-line basis over the average remaining useful lives of the student loans. Premiums under $50 (in the aggregate) are expensed.

J. Allowance for Possible Loan Losses

The allowance for possible loan losses is an estimate of credit losses arising from the student loan portfolio. A provision for possible loan losses, which is reported as an operating expense, is added to bring the allowance to a level that, in management's judgment, is adequate to absorb estimated losses in the portfolio. Management performs a monthly assessment of the loan portfolio in order to determine the appropriate level of the allowance. The factors in this evaluation include, but are not necessarily limited to, delinquencies over 120 days, loan servicing deficiencies and the amount of unguaranteed reimbursement from the United States Department of Education as discussed in Note 4.

Management believes that the allowance for possible loan losses is adequate. While management uses available information to recognize losses on loans, future additions may be necessary based on future review of compliance with due diligence and contractual servicing requirements by IDAPP, and its outside loan servicers.

K. Interfund Transactions

The Commission has the following types of interfund transactions between Commission funds and funds of other State agencies:

Loans - amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender funds and interfund payables (i.e., due to other funds) in borrower funds.

(All dollar amounts are expressed in thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

K. Interfund Transactions (Continued)

Services provided and used - sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net position.

Reimbursements - repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers - flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

L. Capital Assets

Capital assets, which include property and equipment, are reported at cost. Capital assets are depreciated using the straight-line method. Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Land	$100	N/A
Buildings	100	10-60
Building Improvements	25	10-45
Equipment	5	3-25
Internally Generated Software	1,000	10

M. Restricted Assets

Restricted assets represent those assets which are required to be held by the trustee as mandated by the bond and note indentures or resolutions or are pledged as security in support of bond and note indentures or resolutions.

N. Encumbrances

The Commission employs encumbrance accounting for all Governmental Fund types. All outstanding contracts, purchase orders and other commitments for goods and services (if any) that have been received/rendered at June 30, but delivered and invoiced during the State’s lapse period, are reported as restricted, committed or assigned fund balances, as appropriate, not as expenditures or liabilities. Encumbrances are recorded as expenditures on the budgetary basis for such funds.

Note 2. Summary of Significant Accounting Policies (Continued)

O. Compensated Absences

The liability for compensated absences reported in the government-wide and certain proprietary fund financial statements consists of unpaid, accumulated vacation and sick leave balances for Commission employees. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary-related costs (e.g., Social Security and Medicare tax).

Legislation that became effective January 1, 1998, capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

P. Debt Premiums, Discounts, and Refunding Gains

In the government-wide and proprietary fund financial statements, debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method, which approximates the effective interest rate method. Deferred amounts on refunding represent a gain on refunding recognized with the issuance of the LIBOR Floating Rate Notes (see Note 8A) and are reported as a deferred inflow of resources in the financial statements. These amounts are amortized on a weighted basis over the life of the remaining two tranches. Bonds and notes payable are reported net of the unamortized discount.

Current year amortization expense is included in student loan expense in the Statement of Activities.

Q. Tuition Obligation

The tuition obligation in the Illinois Prepaid Tuition Program represents the net contract face value for the 41,075 contracts held by the fund as of June 30, 2016, plus the actuarially-determined present value of future benefits the Program expects to provide to contract holders for all contracts.

R. Pensions

In accordance with the Commission's adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense have been recognized in the government-wide and proprietary fund financial statements.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

Note 2. Summary of Significant Accounting Policies (Continued)

R. Pensions (Continued)

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with the Commission's contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

S. Adoption of New Accounting Pronouncements

Effective for the year ending June 30, 2016, the Commission adopted GASB Statement No. 72, *Fair Value Measurement and Application,* which addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

T. Fund Balances

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. In the governmental fund financial statements, fund balances are reported in the following categories:

Nonspendable – This consists of amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted – This consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Committed – This consists of amounts constrained by limitations that the State imposes upon itself through legislation by its governing body. The commitment amount will be binding unless removed or amended in the same manner in which it is created.

Note 2. Summary of Significant Accounting Policies (Continued)

T. Fund Balances (Continued)

Assigned – This consists of net amounts that are constrained by the Commission's intent to be used for specific purposes, but that are neither restricted nor committed. The Commission is authorized to assign funds by the State in accordance with the Higher Education Assistance Act (110 ILCS 947/20).

Unassigned – This includes the residual fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund.

In instances where restricted, committed and assigned fund balances are available for use, the Commission's policy is to use restricted resources first, followed by committed resources, then assigned resources, as needed.

U. Net Position

In the government-wide and proprietary fund financial statements, net position is displayed in three components as follows:

Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets; for which there are none.

Restricted – results when constraints placed on net position use is either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. Based on bond indentures, all IDAPP assets, except for assets relating to operations, are restricted for the benefit of debt holders until the bonds are retired. Additionally, based on constraints placed on net position use by the Department of Education, the net position of the Federal Student Loan Fund is restricted.

Unrestricted (Deficit) – This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The Commission first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

V. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

W. Funding and Actuarial Assistance

Program funding for the Illinois Prepaid Tuition Program is derived entirely from payments received from contract purchasers and the investment income earned by the Fund. The Commission has obtained actuarial assistance in order to measure the Fund's obligations. The assets of the Fund are to be preserved, invested and expended solely pursuant to and for the purposes of the Fund and may not be loaned or otherwise transferred or used by the State for any other purpose.

Note 3. Deposits and Investments

A. Authorized Deposits and Investments

The Commission is permitted by Illinois Statutes to engage in a wide variety of investment activities. These include bonds, notes, certificates of indebtedness, treasury bills or other securities guaranteed by the United States Government; interest-bearing savings accounts, certificates of deposit, interest-bearing time deposits or any other investments that constitute direct obligations of any bank; short-term obligations of certain qualified United States Corporations; short-term discount obligations of the Federal National Mortgage Association; shares or other securities legally issued by certain state or federal savings and loans associations; insured dividend-bearing share accounts and certain other accounts of chartered credit unions; certain mutual funds, the Illinois funds investment pool, and repurchase agreements that meet certain instrument and transactions requirements.

With regard to the Prepaid Tuition Program, in addition to the funds with the State Treasurer, the Commission by statute (Illinois Prepaid Tuition Act, 110 ILCS 979) is required to appoint an investment advisory panel to offer advice and counseling regarding the investments of the prepaid tuition program. The panel is required to annually review and advise the Commission on provisions of the strategic investment plan, which will specify the investment policies to be utilized by the Commission in the administration of the Prepaid Tuition Program. The Commission may direct that assets of the Prepaid Tuition Program funds be placed in savings accounts or may use the same to purchase fixed or variable life insurance or annuity contracts, securities, evidence of indebtedness, or other investment products pursuant to the comprehensive investment plan and in such proportions as may be designated or approved under that plan.

With regard to the Illinois Designated Account Purchase Program (IDAPP), bond documents such as trust indentures place strict limitations on the type of investments that can be made by IDAPP. The limitations vary slightly from issue to issue, but in general they restrict investments to direct obligations of the federal government and government agencies, investment agreements, repurchase agreements, bank certificates of deposit, money market funds and highly rated commercial paper and municipal bonds.

The Public Funds Investment Act (Act) also restricts the investment of funds under the control of IDAPP. These restrictions apply to any funds, which are not restricted by the terms of a debt document. Permitted deposits and investments under the Act include (subject to various restrictions and limitations) direct federal obligations of the United States of America, federal guaranteed obligations, participation interests in federal obligations, federal affiliated institutions, certificates of deposit, time deposits, and other bank deposits which are fully insured by the Federal Deposit Insurance Corporation (FDIC) or similar federal agency or which are fully collateralized, money market funds, repurchase agreements, investment agreements with financial institutions, commercial paper, state or municipal bonds, and bankers' acceptances. IDAPP's investment policy, which applies to all investments, is more restrictive than the Act in that investments in money market mutual funds are restricted to those with portfolio holdings of United States obligations including bonds, notes, certificates of indebtedness, treasury bills or other securities, which are guaranteed by the full faith and credit of the United States of America as to principal and interest, and direct United States obligations (bonds, notes, debentures or other similar obligations of the United States of America or its agencies).

B. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State law (30 ILCS 230/2C) requires that all deposits of public funds be covered by FDIC insurance or eligible collateral. The Commission has no policy that would further limit the requirements under State law.

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

B. Custodial Credit Risk – Deposits (Continued)

Funds in the custody of the State Treasurer, or in transit, totaled $90,055 at June 30, 2016. These amounts are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Details on the nature of these deposits and investments, and the risks, are available within the State's Comprehensive Annual Financial Report.

At June 30, 2016, the Commission had no amounts that were uninsured and uncollateralized.

C. Investments

Other than the securities lending program administered by the State Treasurer, in which the Commission participates, all investments held by the Commission as of June 30, 2016, pertain to the Illinois Designated Account Purchase Program (IDAPP), and the Illinois Prepaid Tuition Program (*College Illinois!*®) fund, both of which are major enterprise funds.

Illinois Designated Account Purchase Program (IDAPP)

IDAPP categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At June 30, 2016, IDAPP had money market funds of $19,325 and U.S. Treasury securities of $1,000; valued based on matrix pricing provided by the custodian (Level 2 inputs). Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk

IDAPP invests its funds in a manner that meets its cash flow needs while conforming to state statutes governing the investment of funds, including without limitation the Investment Act and all requirements/limitations of the various documents applicable to bonds and other securities issued by ISAC. The portfolio's maturity characteristics at June 30, 2016 are as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Government securities (U.S. treasury bills/notes)	$ 1,000	0.2

Credit Risk

IDAPP's investment policy limits the following types of investments to the top two ratings issued by nationally recognized credit rating organizations: commercial paper, state or municipal bonds, and bankers' acceptances. The investment policy places no further limitations on investment credit quality.

As of June 30, 2016, IDAPP's investments were subject to credit risk (other than obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government which are not considered to have credit risk) as follows:

Investment Type	Fair Value	Rating Moody's
Money market funds	$ 19,325	Aaa-mf

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Designated Account Purchase Program (IDAPP) (Continued)

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, IDAPP will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

The investment policy authorizes IDAPP to utilize a third party custodian (Trustee) to safe-keep the assets of the fund and to provide reports on a monthly basis to all necessary parties. The custodian is responsible for sweeping all interest and dividend payments and any other un-invested cash into a short-term government money market fund. IDAPP has no investments subject to custodial credit risk at June 30, 2016.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. IDAPP's investment policy requires IDAPP to diversify its investments by security type and institution. With the exception of the obligations set forth in the investment policy (direct federal obligations, federal guaranteed obligations, and federal affiliated institutions) or investments fully collateralized by these obligations, no more than 5% of IDAPP's total investment portfolio will be invested in the obligations of a single issuer.

As of June 30, 2016, there were no investments that exceed 5% or more of IDAPP's total investment portfolio.

Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment. IDAPP is not exposed to foreign currency risk and, IDAPP's investment policy does not address foreign currency risk.

Illinois Prepaid Tuition Program

ISAC is required annually to adopt a comprehensive investment policy to invest the funds received through contract payments. The Commission approved the Illinois Prepaid Tuition Program's FY16 revision to the investment policy in July 2015; the most recent policy update was done in June 2016.

The comprehensive investment plan specifies the investment policies to be utilized by the Commission in its administration of the Illinois Prepaid Tuition Program. The Commission may direct that assets of the Program be invested in a manner that will meet or exceed the return of the Policy Benchmark consistent with the actuarial soundness of the Fund and the risk level expected from the asset allocation. The investments should be in compliance with all applicable federal and state laws and other statutes governing the investment of Illinois Prepaid Tuition Program resources.

The Commission is required to adopt a sound asset allocation that is reviewed at least once every three years. The asset allocation establishes target weights for each asset class and is designed to maximize the long-term expected return of the Program within an acceptable risk tolerance while providing liquidity to meet Program liabilities.

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

The table below establishes the interim and long-term asset allocation targets. In order to minimize trading costs and market risk associated with transitioning to the long-term targets, Program cash flows will be used to move gradually toward the long-term target weights. Interim target weights are established for purposes of calculating the policy benchmark and for rebalancing controls.

	Targets		Rebalancing Range	
Asset Allocation	**Long-term**	**Interim**	**Lower Limit**	**Upper Limit**
U.S. Equity	22.00%	22.00%	19.00%	25.00%
Non-U.S. Equity	20.00%	18.00%	15.00%	21.00%
Fixed Income	25.00%	21.00%	18.00%	24.00%
High Yield	3.00%	4.00%	3.00%	5.00%
REIT	5.00%	5.00%	3.00%	7.00%
Absolute Return	9.00%	9.00%	7.00%	11.00%
Real Estate	5.00%	10.00%	N/A	N/A
Infrastructure	5.00%	8.00%	N/A	N/A
Private Equity	5.00%	2.00%	N/A	N/A
Cash	1.00%	1.00%	0.00%	4.00%

The primary benchmark (the "Policy Benchmark") for evaluating the performance of the Program is a Target Index consisting of a market index or equivalent for each asset class, weighted in accordance with the target allocation (or interim target allocation if applicable). Over a three to five year period the Program is expected to generate returns, after payment of all fees and expenses, which exceed the returns of the Target Index. The Target Index components are as follows.

Asset Class	Index	Weight
U.S. Equity	Russell 3000	22.00%
Non-U.S. Equity	MSCI EAFE	18.00%
Fixed Income	BC U.S. Aggregate	21.00%
High Yield	BofA MLHY	4.00%
REIT	MSCI US REIT	5.00%
Absolute Return	90-day T Bills +4%	9.00%
Real Estate	NCREIF ODCE	9.00%
Infrastructure	90-day T Bills +4%	9.00%
Private Equity	Russell 3000 + 3%	2.00%
Cash	90-day T-Bills	1.00%

ISAC has established investment guidelines for the investment managers and conducts thorough due diligence before the appointment of all investment managers. ISAC has retained State Street Global Advisors, Income & Research Management, Rhumbline Advisers, Security Capital Research, Alinda Infrastructure, Portfolio Advisors, JP Morgan AIRRO, Morgan Stanley, Balestra Capital, Neuberger Berman, Pinnacle Natural Resources, Ativo Capital, Cornerstone Capital Management, Harris/Pyrford, CM Growth, Kennedy Wilson, Lyrical-Antheus, Mesirow, T. Rowe Price and DDJ as investment managers to assist with the investment of the Program assets for the Illinois Prepaid Tuition Program.

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

Use of funds invested on behalf of the Illinois Prepaid Tuition Program by the investment managers is restricted to the payout of tuition and fee benefits for Program beneficiaries and the administrative costs of running the program.

As of June 30, 2016, 21.53% of the funds were invested in Domestic Equities, 20.91% in Fixed Income, 17.49% in International Equities, 8.86% in Infrastructure Funds, 8.55% in Absolute Return Funds, 2.61% in Private Equity Funds, 10.33% in Real Estate, 5.11% in Real Estate Investment Trust, 3.72% in High Yield, and 0.89% in cash and equivalents.

Investments owned are reported at fair value or amortized cost as follows:

(1) U.S. Government and Agency, Foreign and Corporate Obligations, Convertible Bonds – prices quoted by a major dealer in such securities;

(2) Common Stock and Equity Funds, Preferred Stock, Foreign Equity Securities - (a) Listed – closing prices as reported on the composite summary of national securities exchanges; (b) Over-the-counter – bid prices;

(3) Money Market Instruments – ammortized cost which approximates fair values;

(4) Real Estate Investments – fair values as determined by its investment managers and reviewed by Program investment staff and the investment consultant;

(5) Private Equity, Absolute Return, and Infrastructure Funds – fair values as determined by its investment managers and reviewed by Program investment staff and the investment consultant. Valuations generally are based on the investee’s last audited financial statements (generally December 31) and differences attributed to cash flows and subsequent events through June 30.

The Program's investment in REITs represents convertible debt, senior unsecured debt securities, and preferred and common equity securities. Investment strategies of private equity funds include secondary funds.

The Program's investments in infrastructure represent investments used to seek capital appreciation and current income by acquiring, holding, financing, refinancing and disposing of infrastructure investment and related assets. Infrastructure assets include various public works such as water utility, toll roads, inland barge terminals and a gas pipeline system.

The Program's investments in absolute return funds (funds of hedge funds) employ a broad range of diversifying investment strategies including arbitrage, global commodities, and global macro.

Private equity, real estate and infrastructure investment portfolios consist of passive interests in non-publicly traded companies. The Program had outstanding unfunded commitments of approximately $5,000 to private equity partnerships and $7,000 to infrastructure funds as of June 30, 2016.

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

The Illinois Prepaid Tuition Program's cash and investments at June 30, 2016 are presented below by investment type and by investment manager:

Investment Managers
Asset Allocation
June 30, 2016

Asset Class	Investment Manager	Fair Value	Actual Allocation
Fixed Income-Core Plus	T. Rowe Price	$ 72,888	7.54%
Fixed Income-Core	State Street Global Advisors	74,688	7.73%
Fixed Income-Intermediate	Income Research Management	54,444	5.63%
Total Fixed Income Portfolio		**202,020**	**20.91%**
High Yield	DDJ Strategic Income Plus	35,913	3.72%
High Yield		**35,913**	**3.72%**
REIT Preferred Growth	Security Capital Research	49,400	5.11%
REIT		**49,400**	**5.11%**
Real Estate-Value Added	Kennedy Wilson	14,398	1.49%
Real Estate-Value Added	Kennedy Wilson	23,912	2.47%
Real Estate-Opportunistic	Lyrical-Antheus	39,230	4.06%
Real Estate-Value Added	Mesirow Value	22,286	2.31%
Total Real Estate		**99,826**	**10.33%**
Large-Cap Core Equity	RhumbLine Advisers	82,612	8.55%
All-Cap Core Equity	RhumbLine Advisers	125,392	12.98%
Total Domestic Equity		**208,004**	**21.53%**
International Equity	Ativo	50,405	5.22%
International Equity	Cornerstone Capital Management	50,027	5.18%
International Equity	Harris/Pyrford	68,542	7.09%
Total International Equity		**168,974**	**17.49%**
Infrastructure	Alinda Infrastructure	57,327	5.93%
Infrastructure	JP Morgan AIRRO	28,357	2.93%
Total Infrastructure		**85,684**	**8.86%**
Absolute Return Fund	Neuberger Berman	49,050	5.08%
Absolute Return Fund	Pinnacle Natural Resource	33,525	3.47%
Total Absolute Return Funds		**82,575**	**8.55%**
Private Equity Secondary FoFs	CM Growth Capital Partners LP	8,067	0.83%
Private Equity Secondary FoFs	Morgan Stanley	8,139	0.84%
Private Equity Secondary FoFs	Portfolio Advisors	8,992	0.93%
Total Private Equity		**25,198**	**2.61%**
Cash and Equivalents	Northern Trust	6,860	0.71%
Investment Cash Equivalents		**6,860**	**0.71%**
Total Investments		**964,454**	**99.82%**
Cash and Equivalents	Illinois Treasury and lock box	1,751	0.18%
Total Cash Equivalents		**1,751**	**0.18%**
TOTAL PORTFOLIO		**$ 966,205**	**100%**

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

Investment Management Fees

The Program has contracted with Commission-approved investment managers to manage the assets of the Program. The investment managers serve as investors and investment advisors to the Program.

For investment managers who invest moneys in publicly held securities the Program pays an investment management fee for investment management services. The investment management fee is based upon contractually agreed upon conditions and provisions. Investment management fees expense for investments in publicly held securities amounted to $1,472 for the year ended June 30, 2016 and is accounted for in the Statement of Revenues, Expenses, and Changes in Net Position.

For investment managers of alternative investments (not publicly held securities) the Program pays an investment advisory fee. The investment advisory fees are calculated based upon the terms and conditions agreed upon with each individual contractual agreement and are recognized as investment advisory fees expense in the Statement of Revenues, Expenses, and Changes in Net Position. Investment advisory expense as reflected in the Statement of Revenues, Expenses, and Changes in Net Position for FY 2016 amounts to $1,599.

For certain alternative investment managers of private equity, infrastructure and real estate which are closed end funds and ISAC is a limited partner the investment advisory fee is reflected in a slightly different way. If the investment management fees are outside of the Limited Partner’s capital account then the fees are included as part of the investment advisory fees expense in the Statement of Revenues, Expenses, and Changes in Net Position. If the closed-end fund accounts for management fees within the Limited Partner's capital account, then management fee expense is included in the Net Asset Value calculation and would therefore be included in income from investment securities on the Statement of Revenues, Expenses, and Changes in Net Position.

Investment managers who fall into the last category are listed below:

- Kennedy Wilson
- Lyrical-Antheus
- Mesirow Value
- Alinda Infrastructure
- JP Morgan AIRRO
- CM Growth
- Portfolio Advisors
- Morgan Stanley

Approximately $2,300 in investment advisory fees are included in the amount reported for income from investments for the fiscal year ending June 30, 2016 in the Statement of Revenues, Expenses, and Changes in Net Position. Additionally, these amounts are reflected in the carrying value on the Statement of Net Position.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Illinois Prepaid Tuition Program’s policy for managing interest rate risk is to monitor duration against an appropriate benchmark index.

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

The duration of the portfolios, by Manager, for the fixed income securities (excluding real estate portfolio), compared to the benchmark index(s) is as follows:

Fixed Income Portfolio Manager	Portfolio Average Duration	BarCap Aggregate Index	BarCap Int. Government/ Credit Index
Income Research Management	3.9 Years	N/A	4.1 Years
SSGA U.S. Aggregate Bond Index (Common collective trust)	5.5 Years	5.5 Years	N/A
T. Rowe Price	5.4 Years	5.5 Years	N/A

Portfolio Weighted Average Maturity

Investment Type	Fair Value	Weighted Average Maturity (in Years)
U.S. treasury notes	$ 17,335	5.37
U.S. treasury bonds	6,028	27.91
U.S. agency obligations	354	19.01
Index linked government bonds (U.S. Treasuries)	1,095	9.55
Non U.S. Index linked government Bonds denominated in foreign dollars	165	9.44
Bond common collective trust	74,688	7.78
Municipal/provincial bonds	3,861	9.11
Non U.S. Government Bonds denominated in U.S. dollars	221	9.57
Non U.S. Government Bonds denominated in foreign dollars	1,021	9.71
Foreign government agencies denominated in U.S. dollars	166	4.16
Multi-sector funds	43,432	6.98
Government agency short term bills and notes	1,999	0.14
Corporate debt securities	23,783	5.54
U.S. agency asset-backed securities	2,922	14.51
Corporate asset-backed securities	9,082	4.84
Mortgage backed securities (MBS):		
Government agencies	1,800	12.89
Non-Government backed	2,184	18.61
Commercial	11,175	30.93
Total Fair Value	**$ 201,311**	
Portfolio weighted average maturity		**9.1**

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The operational guidelines for actively-managed bond managers set forth in the Illinois Prepaid Tuition Program investment policy are:

- The weighted average credit quality of portfolio holding will not fall below A- or equivalent.
- No more than 20% of the portfolio will be invested in issues rated below Baa3 or BBB-, A2 or P2.
- No more than 10% in non-U.S. securities (dollar and non-dollar) rated below investment grade.
- Should a security be downgraded to a rating of "B" or below, the investment manager will determine the appropriate action (sell or hold) based on the perceived risk and expected return of the position and will inform the CIO and the Investment Consultant in writing of the action taken.

The following tables indicate credit ratings, as of June 30, 2016, for the Program's debt security investments (other than obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government which are not considered to have credit risk). Ratings for debt security investments that have multiple ratings are on the following page:

Credit Ratings (Excludes Multiple-Rated Securities)
June 30, 2016

	Total Fair Value	Credit Rating* Moody's
Money market mutual funds	$ 8,244	NR
Illinois Funds	411	NR
U.S. agency obligations	354	Aaa
Bond common collective trust	74,688	NR
Multi-sector funds	43,432	NR
Non U.S. index linked government bonds denominated in U.S. dollars	165	A
U.S. agency asset backed	2,922	Aaa
Government agency short-term bills and notes	1,999	NR
Foreign government bonds denominated in U.S. dollars	221	A
Non U.S. Government bonds denominated in U.S. dollars	166	Baa

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

Credit Risk (Continued)

Credit Ratings (Multiple-Rated Securities)
June 30, 2016

Rating Agency	Investment Type	Credit Rating*	Fair Value
Moody's:	Commercial Mortgage-Backed	Aaa	$ 5,308
	Commercial Mortgage-Backed	Aa	604
	Commercial Mortgage-Backed	A	1,190
	Commercial Mortgage-Backed	Baa	673
	Commercial Mortgage-Backed	Ba	593
	Commercial Mortgage-Backed	NR	2,807
			11,175
Moody's:	Corporate Asset Backed Securities	Aaa	4,827
	Corporate Asset Backed Securities	Aa	247
	Corporate Asset Backed Securities	A	200
	Corporate Asset Backed Securities	Baa	202
	Corporate Asset Backed Securities	B	26
	Corporate Asset Backed Securities	Caa	89
	Corporate Asset Backed Securities	NR	3,491
			9,082
Moody's:	Corporate Bonds	Aaa	326
	Corporate Bonds	Aa	375
	Corporate Bonds	A	4,268
	Corporate Bonds	Baa	15,895
	Corporate Bonds	Ba	1,466
	Corporate Bonds	NR	1,453
			23,783
Moody's:	Municipal/Provincial Bonds	Aaa	389
	Municipal/Provincial Bonds	Aa	1,100
	Municipal/Provincial Bonds	A	489
	Municipal/Provincial Bonds	NR	1,694
	Municipal/Provincial Bonds	WR	189
			3,861
Moody's:	Non-Government Backed C.M.O.s	A	20
	Non-Government Backed C.M.O.s	Baa	60
	Non-Government Backed C.M.O.s	Ba	555
	Non-Government Backed C.M.O.s	B	47
	Non-Government Backed C.M.O.s	Caa	1,013
	Non-Government Backed C.M.O.s	Ca	10
	Non-Government Backed C.M.O.s	NR	479
			2,184

(Continued)

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

Credit Ratings (Multiple-Rated Securities)
June 30, 2016

Rating Agency	Investment Type	Credit Rating*	Fair Value
Moody's:	Non-U.S. Government Bonds in foreign currency	A	$ 361
	Non-U.S. Government Bonds in foreign currency	Baa	660
			1,021
Moody's:	Mortgage Backed Securities - government agencies	A	505
	Mortgage Backed Securities - government agencies	Baa	500
	Mortgage Backed Securities - government agencies	NR	795
			1,800

* NR - not rated, WR - withdrawn

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Illinois Prepaid Tuition Program will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Program does not have an investment policy for custodial credit risk for investments, including the Illiquid Trust, prior to its sale.

The Illinois Prepaid Tuition Program is not exposed to custodial credit risk at June 30, 2016.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The operational guidelines as set forth in the Illinois Prepaid Tuition Program's investment policy indicate:

- For fixed income managers no more than 5% of the fixed income portfolio at time of purchase may be invested in any one company, except for U.S. government or agency issues.
- For investments in international equity, investment in any one issuer shall not exceed five percent of the market value of the portfolio at the time of purchase. No more than ten percent of the market value of the portfolio may be held in any one issuer at any time. Investment in any one company in the portfolio may be no more than ten percent of the total market value of that company.
- For investments in domestic equity, investment in any one issuer shall not exceed five percent of the market value of the portfolio at the time of purchase. No more than ten percent of the market value of the portfolio may be held in any one issuer at any time. Investment in any one company in the portfolio may be no more than ten percent of the total market value of that company.

As of June 30, 2016, there were no investments subject to concentration of credit risk.

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Illinois Prepaid Tuition Program (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment.

The Illinois Prepaid Tuition Program's investments in international equity are in compliance with the guidelines of the investment policy. As of June 30, 2016, 17.5% is invested in international equities. Certain alternative investments denominated in U.S. dollars have underlying investments in other currencies including the Indian rupee and the South Korean won. Fluctuations in foreign exchange rates between the U.S. dollar and other currencies could have an effect on the amounts realized in U.S. dollars involving these investments. The Program has the following investments denominated in foreign currency.

Investments Denominated in Foreign Currency
June 30, 2016
Fair Value in U.S. Dollars

Foreign Currency Denomination	Equity	Cash and cash equivalents - equity investments	Fixed income	Cash and cash equivalents - fixed income investments	Totals
Australian dollar	$ 8,895	$ -	$ -	$ -	$ 8,895
Brazilian real	703	-	-	-	703
British pound sterling	29,836	66	-	-	29,902
Canadian dollar	4,267	8	-	-	4,275
Czech koruna	-	3	-	-	3
Danish krone	3,160	-	-	-	3,160
Euro	37,981	98	-	-	38,079
Hong Kong dollar	8,859	15	-	-	8,874
Hungarian forint	-	-	660	(706)	(46)
Indonesian rupiah	-	21	-	-	21
Japanese yen	21,155	48	-	-	21,203
Malaysian ringgit	2,319	-	-	-	2,319
Mexican peso	-	-	526	(232)	294
New Israeli shekel	886	-	-	-	886
Norwegian krone	2,099	-	-	-	2,099
Singapore dollar	3,593	-	-	-	3,593
South African rand	464	-	-	-	464
Swedish krona	7,579	-	-	-	7,579
Swiss franc	14,420	16	-	-	14,436
Thai baht	533	122	-	-	655
Total	$ 146,749	$ 397	$ 1,186	(938)	$ 147,394

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Valuation

The Program categorizes its fair value measures within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs (see page 39); and leveling is not required for investments held at amortized cost. The Program has the following as of June 30, 2016:

Investments Measured at Fair Value

	June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Leveling Not Required
Investments by fair value level				
Debt securities				
U.S. Treasury notes	$ 17,335	$ -	$ 17,335	$ -
U.S. Treasury bonds	6,028	-	6,028	-
U.S. Agency obligations	354	-	354	-
U.S. Agency asset-backed securities	2,922	-	2,922	-
U.S. Index linked government bonds	1,095	-	1,095	-
Municipal/Provincial debt	3,861	-	3,861	-
Corporate debt securities	23,783	-	23,783	-
Corporate asset-backed securities	9,082	-	9,082	-
Foreign Government Bonds denominated in U.S. dollars	221	-	221	-
Foreign Government Agencies denominated in U.S. dollars	166	-	166	-
Foreign debt securities (Non U.S. Government Bonds denominated in foreign currency)	1,021	-	1,021	-
Non U.S. Index Linked Government bonds denominated				-
in foreign currency	165	-	165	-
Government agency short term bills and notes	1,999	-	1,999	-
Commercial mortgage backed	11,175	-	11,175	-
Government mortgage backed	1,800	-	1,800	-
Multi sector funds	43,432	-	43,432	-
Common collective trust	74,688	-	74,688	-
Non government backed C.M.O.	2,184	-	2,184	-
Corporate equity securities	226,110	226,110	-	-
Foreign equity securities	146,749	146,749	-	-
Money market mutual funds	8,244	-	-	8,244
Cash and pending trades	3,985	-	-	3,985
Cash and pending trades in foreign currency	(541)	-	-	(541)
Equity in Public Treasurer's Investment Pool (Illinois Funds)	411	-	-	411
Total investments by fair value level	$ 586,269	$ 372,859	$ 201,311	$ 12,099

(All dollar amounts are expressed in thousands)

Note 3. Deposits and Investments (Continued)

D. Investments (Continued)

Valuation (Continued)

Investments measured at the net asset value (NAV)	June 30, 2016
Real estate investment trust	$ 49,400
Real estate	99,826
Private equity	25,198
Infrastructure	85,684
Absolute return	82,575
High yield fund	35,913
Total investments measure at the NAV	$ 378,596
Total investments measured at fair value or amortized cost	$ 964,865

The valuation method of investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

	Fair Value	Unfunded Commitments	Redemption Frequency If Currently Eligible	Redemption Notice Period
Real estate investment trust	$ 49,400	$ -	Quarterly	30 days notice
Real estate	99,826	48	n/a	n/a
Private equity	25,198	5,122	n/a	n/a
Infrastructure	85,684	6,928	n/a	n/a
Absolute return	82,575	-	Annual	65 and 180 days notice
High yield fund	35,913	-	Quarterly	60 days notice
Total investments measured at the NAV	$ 378,596	$ 12,098		

Real estate investment trust: This investment manager opportunistically sources, structures and executes investments in real estate operating companies. The fair values of the investment in this type have been determined using the NAV per share of the investment. This investment can be redeemed quarterly with 30 days' notice. A liquidating account may be used during period of market stress to provide orderly liquidation.

Real estate: This type includes four real estate funds that invest primarily in U.S. commercial and residential real estate. The fair values of the investments in this type have been determined using the NAV per share of the Program's ownership invest in partners' capital with the exception of Lyrical Antheus Realty Partners III, LP where the partners' capital which is recognized at cost basis on their financial statements has been adjusted to reflect the investment on a fair value basis (see Note 11 for details). These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next six years with 10% to 25% (varies by investment manager) within state fiscal year 2017.

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

Valuation (Continued)

Private equity: This type includes three private equity funds. One holds portfolio securities. A second fund acquires, holds and disposes of investments in secondary opportunities. The third fund invests in a diversified portfolio of private equity limited partnerships purchased in the secondary market. The fair values of the investments in this type have been determined using the NAV per share of the Program’s ownership investment in partners’ capital. These investments can never be redeemed within the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the funds. It is expected that the underlying assets of the funds will be liquidated over the next six years with 10% to 25% (varies by investment manager) within state fiscal year 2017.

Infrastructure: This type includes two infrastructure funds which invest in infrastructure and related assets in the United States, Asia and Europe. The fair values of the investments in this type have been determined using the NAV per share of the Program’s ownership invest in partners’ capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next six years with 5% to 10% (varies by investment manager) within state fiscal year 2017.

Absolute return: This type includes two absolute return funds of funds. One targets consistent, positive absolute returns with minimal beta to major equity and fixed income markets. The other is a multi-manager fund in the global commodity and commodity related markets. The fair values of the investments in this type have been determined using the NAV per share of the Program’s ownership invest in partners’ capital. Both have annual liquidity with quarterly liquidity available for a fee. Both have fund level gate thresholds of 20% to 25% of fund assets. Both will withhold a percentage pending the completion of the annual audit. A five million redemption was initiated in July 2016 for distribution within 30 days following January 31, 2017.

High yield: This type seeks income and gains through trading and investing in securities. The fair value of the investment in this type has been determined using the NAV per share of the Program’s ownership invest in partners’ capital. Ninety percent of liquid securities are available within 30 days of quarter end with 60 days’ notice prior to quarter end. Up to 25% of the fund may be invested in illiquid securities. Ten percent of any withdrawal may be held until 30 days following the annual audit. As of June 30, 2016, $377 was held in a liquidating account related to prior redemptions.

Securities Lending - Student Loan Operating Fund and Federal Student Loan Fund

Cash and cash equivalents in the Commission's non-major proprietary funds namely the Federal Student Loan Fund and the Student Loan Operations Fund consist of deposits held in the State Treasury. The Illinois Office of the Treasurer invests the deposits held and allocates investment income to the two funds on a monthly basis.

Under the authority of the Treasurer's published investment policy that was developed in accordance with State statute, the State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank AG to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

Note 3. Deposits and Investments (Continued)

C. Investments (Continued)

During fiscal year 2016, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during the fiscal year on the amount of the loans of available eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or Deutsche Bank AG.

During the fiscal year, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investment made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. For the portion related to the Commission's non-major proprietary funds, namely the Federal Student Loan Fund and the Student Loan Operating Fund, securities lending collateral (invested in repurchase agreements) and the corresponding securities lending collateral obligation as of June 30, 2016 were $9,420 and $14,218, respectively.

Note 4. Student Loans Receivable

IDAPP’s student loans receivable balance is comprised of two types of student loans: loans that were originated or purchased as part of the Federal Family Education Loan Program (FFELP) and loans that are originated as part of IDAPP’s Alternative Loan Program. The FFEL Program was eliminated as of June 30, 2010 and as such IDAPP no longer originates FFELP loans.

All FFELP loans originated or purchased by IDAPP prior to October 1, 1993 are guaranteed at 100% by Guarantors in accordance with the Higher Education Act. For loans disbursed between October 1, 1993 and prior to July 1, 2006 the loans are guaranteed at 98%. Loans disbursed after July 1, 2006 are guaranteed at 97%. All guaranteed loans are reinsured by the United States Department of Education (ED). ED has issued detailed loan servicing requirements, which, if not strictly adhered to, may result in the loss of the loan guaranty. The United States Department of Education has also issued specific guidelines to provide for the cure of such servicing deficiencies and the reinstatement of the guaranty. For servicing contracts established with outside vendors, contractual provisions require the contractors to indemnify IDAPP for losses due to their negligence in loan servicing. Such recoveries will be recognized as income when received. There is $536 of student loans receivable that IDAPP has classified as defaulted loans under the FFEL Program. Claims on these loans have been submitted to, but have not been reimbursed by, the guarantee agencies as of June 30, 2016.

Alternative Loans are not guaranteed by Guarantors and are not eligible for reinsurance by ED. Alternative Loans are credit-based and a provision for loan loss is accrued for the amount of the loans estimated to be uncollectible. The total amount of Alternative Loans outstanding was $187,110 at June 30, 2016. Of this amount, $62,750 was recorded as a provision for loan losses.

(All dollar amounts are expressed in thousands)

Note 4. Student Loans Receivable (Continued)

Management has identified loans that may not be reimbursed by the guarantor or collected from the student. Accordingly, management has established an allowance for possible loan losses totaling $64,983 as of June 30, 2016. This amount includes the alternative loans addressed above.

Included in the student loans receivable balance are premiums paid on the origination and purchase of certain student loans. These premiums are being amortized over the average life of the related loans.

Federal Student Loan Fund

ISAC's Federal Student Loan Programs maintain a fund that is on deposit with the State Treasurer known as the Illinois Student Assistance Commission Federal Student Loan Fund. This fund is used to pay defaulted loan claims. Receipts of this fund include reinsurance receipts from ED.

The cash balance in this fund as of June 30, 2016 as reported by ISAC was $34,324. Restricted net position, which includes $23,884 of claims in process, was $40,087. If the federal reinsurance percentage applied to guarantors was temporarily reduced from 97% to either 85% or 75% (for loans disbursed after October 1, 1998) due to excessive default claims and if the State's pledge of full faith and credit were found to be ineffective, then the full collectability of the non-federal reinsurance amount (i.e. 3% to 25%) of the IDAPP's net FFELP student loans receivable of $296,912 at June 30, 2016 is subject to the adequacy of the annual appropriation from the Illinois Student Assistance Commission Federal Student Loan Fund and the reserve funds of the other Guarantors to pay defaulted loan claims. However, based on past loan default experience, management believes that material losses will not be incurred.

Note 5. Federal Special Allowance and Interest Subsidy

The Federal government pays IDAPP (interest subsidy) or IDAPP owes the federal government (excess interest) an interest amount on certain student loans during the time that the student is enrolled in an eligible educational institution or qualifies for deferment status. The federal interest payable at June 30, 2016 was $927.

IDAPP is also eligible to receive special allowance payments from the federal government that are paid to adjust for the low yield on student loans in comparison to other investment sources. In addition IDAPP owes the federal government excess interest on the portfolio.

Federal Interest Benefits	$	1,154
Special Allowance Payments (Interest Subsidy)		207
Excess Interest		(5,603)
Net Expense Incurred to DOE	$	(4,242)

(All dollar amounts are expressed in thousands)

Note 6. Interfund Balances and Activity

A. Balances Due To/From Other Funds

The balances at June 30, 2016 represent amounts due from other ISAC and State funds and component units as follows:

Fund	Due from Primary Government Funds ISAC	Due from Primary Government Funds Other State	Due from Component Units	Description/Purpose
Education Assistance	$ -	$ -	$ 41	Due from State universities for scholarship and MAP grants.
Nonmajor Enterprise - Student Loan Operating	2,112	-	-	Due from IDAPP Fund for shared Services.
	281	-	-	Due from Illinois Prepaid Tuition Fund for shared services.
	-	205	-	Due from Central Management Services (on behalf of DCFS) for rent and expenses.
	-	84	-	Due from Healthcare and Family Services for rent and expenses.
	2,393	289	-	
	$ 2,393	$ 289	$ 41	

The balances at June 30, 2016 represent amounts due to other ISAC and State funds and component units as follows:

Fund	Due to Primary Government Funds ISAC	Due to Primary Government Funds Other State	Due to Component Units	Description/Purpose
Education Assistance	$ -	$ -	$ 54	Due to State universities for scholarships and grants.
Illinois Designated Account Purchase Program	2,112	-	-	Due to Student Loan Operating Fund for shared services.
	2,112	-	-	
Nonmajor Governmental - Future Teacher Corps	-	-	20	Due to State universities for scholarships and grants.
	-	-	20	
Nonmajor Enterprise - Student Loan Operating	-	417	-	Due to Central Management Services for EDP, communications, and garage fund.
	-	417	-	
Illinois Prepaid Tuition Program	281	-	-	Due to Student Loan Operating Fund for shared services.
	-	-	287	Due to State universities for payment of tuition contracts.
	281	-	287	
	$ 2,393	$ 417	$ 361	

Note 6. Interfund Balances and Activity (Continued)

B. Transfers To/From Other Funds

Interfund transfers in for the year ended June 30, 2016 were as follows:

Fund	Transfers In From Other ISAC Funds	Description/Purpose
Nonmajor Governmental- ISAC COP Debt Service	$ 259	Transfer from the Student Loan Operating Fund for capital asset payment.
	$ 259	

Interfund transfers out for the year ended June 30, 2016 were as follows:

Fund	Transfers Out To Other ISAC Funds	Description/Purpose
Nonmajor Enterprise - Student Loan Operating	$ 259	Transfer to ISAC COP Debt Service Fund for capital asset payment.
	$ 259	

(All dollar amounts are expressed in thousands)

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,700	$ -	$ -	$ 2,700
Capital assets being depreciated:				
Buildings	18,970	259	-	19,229
Equipment	159	-	(108)	51
Total capital assets being depreciated	19,129	259	(108)	19,280
Less accumulated depreciation:				
Buildings	(10,810)	(497)	-	(11,307)
Equipment	(157)	(1)	108	(50)
Total accumulated depreciation	(10,967)	(498)	108	(11,357)
Total capital assets being depreciated, net	8,162	(239)	-	7,923
Governmental activities capital assets, net	$ 10,862	$ (239)	$ -	$ 10,623
Business-type activities:				
Illinois Designated Account Purchase Program Fund:				
Capital assets being depreciated:				
Equipment	$ 283	$ -	$ (59)	$ 224
Less accumulated depreciation:				
Equipment	(283)	-	59	(224)
Total capital assets being depreciated, net	-	-	-	-
Nonmajor Enterprise Funds:				
Capital assets not being depreciated:				
Construction-in-progress	250	9	(259)	-
Capital assets being depreciated:				
Equipment and automobiles	726	164	(211)	679
Internally generated software	3,357	-	-	3,357
Less accumulated depreciation:				
Equipment and automobiles	(528)	(62)	211	(379)
Internally generated software	(924)	(336)	-	(1,260)
Total capital assets being depreciated, net	2,631	(234)	-	2,397
Business-type activities capital assets, net	$ 2,881	$ (225)	$ (259)	$ 2,397

Depreciation expense for governmental activities on the Government-wide Statement of Activities for the year ended June 30, 2016 amounted to $239. Of that amount, 100% was charged to the Scholarships, awards and grants function.

Note 8. Long-Term Obligations Payable

A. Revenue Bonds and Notes Payable and Pledged Revenues

On October 27, 2010, ISAC entered into a Bond Purchase Agreement with a group of underwriters to sell $604,000 Student Loan Asset Backed Notes, Series 2010-1 (LIBOR Floating Rate Notes). The Notes were issued in three tranches. The Class A-1 tranche is $181,000 maturing April 25, 2017 with a rate of 3-Month LIBOR plus 0.48%, the Class A-2 tranche is $269,000 maturing April 25, 2022 with a rate of 3-Month LIBOR plus 1.05% and the Class A-3 tranche is $154,000 maturing July 25, 2045 with a rate of 3-Month LIBOR plus 0.90%. The variable interest rate for the debt is reset every quarter. The proceeds from the sale of the Notes were used to make the initial deposits to the Capitalized Interest Fund, the Reserve Fund, a portion of the initial deposit to the Loan Fund, and to pay acquisition costs. The remaining proceeds were used to purchase and cancel certain outstanding bonds (2002 Resolution Trust Bonds). The FFELP loans released from the 2002 Resolution Trust were deposited into the Loan Fund.

The indenture has a provision that any excess cash in the trust is used to pay down the principal amount of the Notes. The Class A-1 tranche has been paid off. $190,189 of the Class A-2 tranche has been paid off leaving a balance of $78,811. The total principal and interest remaining to be paid on the bonds is approximately $309,643. IDAPP has until the stated maturity dates to retire the principal amounts owed on these bonds. As such, liabilities related to these bonds are reported as noncurrent. IDAPP however will pay principal amounts in advance of that date (without penalty) as collections on the resulting student loans are received into the trust. As of June 30, 2016 variable interest rates were 1.688% and 1.538% for the LIBOR FRN Class A-2 and A-3, respectively.

Annual principal and interest payments on the bonds are expected to require approximately 98 percent of the related student loan collections. Principal and interest paid for the current year were $43,844 and $3,571, respectively. Total related student loan principal and interest received were $47,031 and $7,174, respectively.

As a result of the issuance of the LIBOR Floating Rate Notes and the purchase and cancellation of the remaining outstanding 2002 bonds during fiscal year 2011, a deferred amount on refunding of $70,320 was recorded. This amount is being amortized over the weighted average life of the LIBOR Floating Rate Notes of 16 years. The portion attributable to fiscal year 2016 is $4,043. Amortization is included as a reduction of interest expense on the Statement of Revenues, Expenses, and Changes in Fund Net Position.

(All dollar amounts are expressed in thousands)

Note 8. Long-Term Obligations Payable (Continued)

B. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2016, were as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due Within One Year
Governmental activities:					
Other long-term obligations:					
Compensated absences	$ 1,400	$ -	$ (1,400)	$ -	$ -
	$ 1,400	$ -	$ (1,400)	$ -	$ -
Business-type activities:					
Illinois Designated Account Purchase Program :					
Revenue bonds/notes payable:					
Series 2010, Class A-2	$ 122,655	$ -	$ (43,844)	$ 78,811	$ -
Series 2010, Class A-3	154,000	-	-	154,000	-
Unamortized discounts	(6,258)	-	208	(6,050)	-
Other long-term obligations:					
Compensated absences	57	49	(30)	76	8
Total Illinois Designated Account Purchase Program	270,454	49	(43,666)	226,837	8
Illinois Prepaid Tuition Program :					
Tuition obligation	1,320,202	50,127	(139,530)	1,230,799	152,815
Total Illinois Prepaid Tuition Program	1,320,202	50,127	(139,530)	1,230,799	152,815
Nonmajor Enterprise Fund:					
Compensated Absences	668	1,231	(97)	1,802	187
Total Nonmajor Enterprise Fund	668	1,231	(97)	1,802	187
Total business-type activities	$ 1,591,324	$ 51,407	$ (183,293)	$ 1,459,438	$ 153,010

(All dollar amounts are expressed in thousands)

Note 8. Long-Term Obligations Payable (Continued)

C. Future Maturities of Revenue Bonds and Notes

IDAPP issued bonds and notes to provide funds for student loan originations and purchases. IDAPP pledges the income derived from its assets to pay debt service. The majority of IDAPP's outstanding revenue bonds and notes are comprised of variable rate debt. As such, the interest figures shown below are calculated assuming the interest rate in effect on June 30, 2016. Actual interest paid in future years could be materially different.

Annual debt service requirements to maturity for revenue bonds and notes are as follows:

Year Ending June 30	Principal	Interest	Total
2017	$ -	$ 3,699	$ 3,699
2018	-	3,699	3,699
2019	-	3,699	3,699
2020	-	3,699	3,699
2021	-	3,699	3,699
2022-2026	78,811	13,174	91,985
2027-2031	-	11,843	11,843
2032-2036	-	11,843	11,843
2037-2041	-	11,843	11,843
2042-2046	154,000	9,634	163,634
	232,811	$ 76,832	$ 309,643
Plus (minus):			
Unamortized discounts	(6,050)		
Net long-term principal outstanding	$ 226,761		

(All dollar amounts are expressed in thousands)

Note 8. Long-Term Obligations Payable (Continued)

D. Tuition Obligation

The tuition obligation is management's estimate of the present value of the estimated tuition payments to be made and is expected to be financed from investments of prepaid tuition contracts. The estimate for the future tuition obligation is based on a closed group projection for existing contracts assuming no new contract sales after June 30, 2016. See actuarial assumptions and additional information in Note 13 B.

Tuition obligation activity for the year ended June 30, 2016, is as follows:

Balance as of July 1, 2015	$ 1,320,202
Add:	
Contributions received in FY2016	26,278
Change in contracts receivable, at present value*	(8,615)
Adjust tuition obligation based on actuarial valuation	32,464
Less:	
Return of contributions	(15,314)
Tuition payments	(124,216)
Balance as of June 30, 2016**	$ 1,230,799
Reported as:	
Current	$ 152,815
Noncurrent	1,077,984
	$ 1,230,799

* Discount rate used in determining fair value was 6.75%.

**The accreted tuition expense is calculated at least annually by the Commission's actuary and is an estimate based on the average increase in tuition for Illinois colleges. Tuition and fee increases that were less than expected and the change in assumptions and methods contributed to the decrease in the tuition obligation compared to the balance at June 30, 2015. Accreted tuition expense is reflected as an expense in the Statement of Revenues, Expenses, and Changes in Net Position and as an increase (or decrease) to the tuition obligation on the Statement of Net Position.

Note 9. Mid-Term Credit Facility and Short Term Revolving Credit Line and Pledged Revenues

On July 27, 2007, ISAC entered into a Three-Year Asset Backed Revolving Credit Facility (the "Facility") through an affiliate of Citibank (the "Lender") pursuant to which ISAC has borrowed funds for the purpose of purchasing certain student loans. Advances made under the Facility are secured by a portfolio of student loans (the "Collateral"), which were largely financed with proceeds of the advances. Amounts due under the Facility constitute limited obligations of ISAC, payable solely and only from the Collateral and the revenues derived therefrom. The costs of borrowing under the Program will not exceed Citibank's commercial paper rate. The rate at June 30, 2016 was 0.457%.

On July 27, 2010, the Facility became due and payable. Due to conditions currently existing in the credit markets, ISAC has been unable to refinance this debt and is currently in default under the Facility. Citibank has reserved its rights to remedies in the Indenture. Conversations with Citibank are on-going but no resolution has been reached.

(All dollar amounts are expressed in thousands)

Note 9. Mid-Term Credit Facility and Short Term Revolving Credit Line and Pledged Revenues (Continued)

Under the terms of the agreement all revenues generated by the underlying student loan portfolio are transferred to a trust. The trust pays all expenses related to the debt service and student loan servicing costs (capped at 65 basis points of the outstanding average balance in the portfolio). During fiscal year 2016 there was $22,301 in principal and $5,396 in interest collected all of which was transferred to the trust. During the same period the trust paid $1,286 for interest expense and other professional fees and $1,425 for servicing fees.

Changes in the revolving credit line are as follows:

	Balance, July 1, 2015	Borrowings	Repayments	Balance, June 30, 2016	Amounts Due Within One Year
Citibank	$ 183,557	$ -	$ (25,300)	$ 158,257	$ 158,257

Note 10. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and natural disasters. The State retains the risk of loss (i.e., self-insured) for these risks except for insurance purchased by the Commission for the building and EDP equipment. There has been no reduction in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded coverage for the current or prior two fiscal years. The Commission's risk management activities for workers' compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Commission and accordingly, have not been reported in the Commission's financial statements for the year ended June 30, 2016.

The Commission's risk management activities for the building and EDP equipment are financed through appropriations to the Commission and are reported as part of the operating expenditures/expenses in the General Fund, Student Loan Operating Fund, and IDAPP funds. The Commission has made no material claim against the insurance coverage in the last three years.

Note 11. Defined Benefit Pension Plan

Plan Description. Substantially all of the Commission's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a single-employer defined benefit pension trust fund in the State reporting entity. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). The plan consists of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State's retirement plans on or after January 1, 2011 are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011 or those who have service credit prior to January 1, 2011. The provisions below apply to both Tier 1 and 2 members, except where noted. The SERS issues a separate CAFR available at www.srs.illinois.gov or that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois 62794-9255.

(All dollar amounts are expressed in thousands)

Note 11. Defined Benefit Pension Plan (Continued)

Benefit Provisions. SERS provides retirement, disability and death benefits based on the member's final average compensation and the number of years of credited service that have been established. The retirement benefit formula available to general State employees is 1.67% for each year of covered service and 2.2% for each year of noncovered service. The maximum retirement annuity payable is 75% of final average compensation as calculated under the regular formula. The minimum monthly retirement annuity payable is $15.00 (dollars) for each year of covered employment and $25.00 (dollars) for each year of noncovered employment.

Participants in SERS under the regular formula Tier 1 and Tier 2 receive the following levels of benefits based on the respective age and years of service credits.

Regular Formula Tier 1	Regular Formula Tier 2
A member must have a minimum of eight years of service credit and may retire at: • Age 60, with 8 years of service credit. • Any age, when the member's age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with eight years of credited service. • Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60). The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service. Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement. If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.	A member must have a minimum of 10 years of credited service and may retire at: • Age 67, with 10 years of credited service. • Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67). The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of $106.8. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less. If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2015 rate is $111.6. If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2. The retirement formula is 2.5% for each year of covered service and 3.0% for each year of non-covered service. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

Note 11. Defined Benefit Pension Plan (Continued)

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least eighteen months of credited service to the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

Occupational and non-occupational death benefits are also available through the System. Certain non-occupational death benefits vest after eighteen months of credited service. Occupational death benefits are provided from the date of employment.

Contributions. Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed $106.8 with limitations for future years increased by the lessor of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2016, this amount was $111.6.

The State is required to make payment for the required departmental employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of the System to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

For fiscal year 2016, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2016, the employer contribution rate was 45.598%. The Commission's contribution amount for fiscal year 2016 was $3,400.

Pension liability, deferred outflows of resources, deferred inflows of resources and expense related to pensions. At June 30, 2016, the Commission reported a liability of $90,188 for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2015 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's portion of the net pension liability was based on its proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2015. As of the current year measurement date of June 30, 2015, the Commission' proportion was 0.32%, which was a decrease of 0.03% from its proportion measured as of the prior year measurement date of June 30, 2014.

Note 11. Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2016, the Commission recognized pension expense of $6,781. At June 30, 2016, the Commission reported deferred outflows and deferred inflows of resources related to the pension liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 274	$ 1,171
Changes of assumptions	6,617	-
Net difference between projected and actual investment earnings on pension plan investments	-	1,366
Changes in proportion	29,783	38,684
Commission contributions subsequent to the measurement date	6,051	-
Total	$ 42,725	$ 41,221

$6,051 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be amortized over the average remaining service life of plan members and recognized as pension expense as follows (amounts expressed in thousands):

Year Ended June 30,	Amount
2017	$ (1,068)
2018	(1,068)
2019	(1,590)
2020	(821)
Total	$ (4,547)

Actuarial Methods and Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the entry age normal actuarial cost method and the following actuarial assumptions, applied to all periods included in the measurement:

Mortality: 105 percent of the RP2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015.

Inflation: 3.0%

Investment Rate of Return: 7.25%, net of pension plan investment expense, including inflation.

Salary increases: Salary increase rates based on age related productivity and merit rates plus inflation.

Post-retirement benefit increases of 3.00%, compounded, for Tier 1 and the lessor of 3.00% or one-half of the annual increase in the Consumer Price Index for Tier 2.

Retirement Age: Experience-based table of rates specific to the type of eligibility condition. Table was last updated for the June 30, 2015, valuation pursuant to an experience study of the period July 1, 2009 to June 30, 2013.

(All dollar amounts are expressed in thousands)

Note 11. Defined Benefit Pension Plan (Continued)

The long-term expected real rate of return on pension plan investments was determined based on the simulated average 10-year annualized geometric return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2015, the best estimates of the geometric real rates of return as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	30%	5.69%
Fixed Income	20%	1.62%
Hedge Funds	10%	4.00%
International Equity	20%	6.23%
Real Estate	10%	5.50%
Infrastructure	5%	6.00%
Private Equity	5%	10.10%
Total	100%	5.03%

Discount Rate. A discount rate of 7.02% was used to measure the total pension liability. This single blended discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.80%, based on an index of 20 year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2067. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2067, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The net pension liability for the plan was calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as shown below:

	1% Decrease 6.02%	Discount Rate 7.02%	1% Increase 8.02%
Commission's proportionate share of the net pension liability	$ 108,571	$ 90,188	$ 74,929

Payables to the pension plan. At June 30, 2016, the Commission reported a payable of $8 to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2016.

(All dollar amounts are expressed in thousands)

Note 12. Post-Employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits in accordance with Public Act 97-0695.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as expenditures by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred and related liability for health, dental, vision, and life insurance benefits are not separated by department fund or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements, including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois 62763-3838.

Note 13. Fund Balances and Net Position

A. Deficit in Fund Net Position

As of June 30, 2016, the Illinois Prepaid Tuition Program has a deficit in net position of $215,121. The table below details a reconciliation of the fund deficit in the financial statements to the fund deficit in the Actuarial Soundness Report as of June 30, 2016.

Unfunded liability per actuarial soundness report	$	(264,314)
Present value of accrued future administrative expense		50,927
Other accrued liabilities		(1,734)
Fund deficit per Statement of Net Position	$	(215,121)

B. Program Risks and Actuarial Data

The Illinois Prepaid Tuition Program's ability to honor existing and future contracts depends primarily upon three factors: (i) continued contract sales within projections; (ii) achieving a projected annual net return on Program investments; and (iii) actual tuition/fee increases being within projected amounts.

Gabriel, Roeder, Smith and Company, the independent actuarial firm retained by *College Illinois!*®, has performed an actuarial soundness valuation of *College Illinois!*®, the State's section 529 prepaid tuition program, to evaluate the financial viability of the program as of June 30, 2016. The complete Actuarial Soundness Report as of June 30, 2016 is included in the Other Information Section.

(All dollar amounts are expressed in thousands)

Note 13. Fund Balances and Net Position (Continued)

The Program is not supported by the full faith and credit of the State, nor is it guaranteed by the State's general fund. The Program is a moral obligation of the State requiring the Governor to request an appropriation from the State General Assembly in case the Commission and the Governor determine that the Program does not have adequate assets to meet its contractual obligations in an upcoming fiscal year. While the General Assembly has fulfilled other moral obligations of the State in the past, it is not obligated to appropriate, and no assurances can be made that the General Assembly will appropriate sufficient moneys to meet the Program's contractual obligations.

If it is determined by the Commission, with the concurrence of the Governor, that the Program is financially infeasible, the Commission may prospectively discontinue the Program. Pursuant to the prepaid tuition statute, if the Program is discontinued, beneficiaries who are or will enroll within five years at an eligible institution shall be entitled to exercise the complete benefits specified in the contract; all other contract holders shall receive an appropriate refund of all contributions and accrued interest up to the time the Program is discontinued.

The following is a summary of the actuarial present value (APV) of the future benefits obligation, funded ratio, and significant assumptions used.

APV of future benefits obligation*	$ 1,230,799
Funded ratio	79.40 %
Actuarial assumptions:	
Actuarial valuation date	June 30, 2016
Assumed net investment return	6.75 %
Rates of cancellations	Varies according to years from projected college entrance year
Tuition increases all contract types:	
All future years	5.00 %

* For all existing contracts as of June 30, 2016

The actuarial present value of future benefits obligation decreased by approximately $89,000 compared to the reported balance at June 30, 2015. Contributing to the overall decrease was tuition paid during the year.

(All dollar amounts are expressed in thousands)

Note 13. Fund Balances and Net Position (Continued)

C. Restrictions and Commitments

As of June 30, 2016, the Commission reported the following net position restrictions and fund balance commitments:

The Illinois Designated Account Purchase Program reported $12,871 of net position restricted for debt service. The Federal Student Loan Fund reported $40,087 of net position restricted for federal programs (loan guarantees). The ISAC Accounts Receivable Fund, the Future Teacher Corp Fund and the University Grant Fund reported $119, $88, and $102, respectively, in fund balance committed for scholarships, awards and grants.

Note 14. Operating Leases

The Commission rents certain facilities and office equipment under leases, which generally provide for cancellation without penalty in the event funds for payment are not appropriated by the General Assembly.

Expenses for all operating leases amounted to $134 in 2016. There are no future minimum rental commitments for non-cancelable operating leases to be satisfied by future Commission appropriations.

Note 15. Restatement for Implementation of New Accounting Standard

Effective for the year ending June 30, 2016, the Commission implemented GASB Statement No. 72,
The implementation of this Statement impacted the Commission's methodology for recognition of investments in the Prepaid Tuition Trust Fund. Specifically, the Prepaid Tuition Trust Fund's investment in Lyrical Antheus Realty Partners III, LP a real estate opportunistic investment which was recognized at cost basis in the Statement of Net Position until fiscal year 2015. Effective June 30, 2016 the Commission has changed its methodology and is recording this investment at fair market value using the net asset value method in its Statement of Net Position.

The change in methodology has resulted in a restatement of beginning net position as of June 30, 2015. The changes are detailed in the below table.

	Illinois Prepaid Tuition Program	Business-Type Activities
Net Position, June 30, 2015	$ (236,113)	$ (214,772)
Implementation of GASB 72	17,776	17,776
Net Position, June 30, 2015, as restated	$ (218,337)	$ (196,996)

Note 16. New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the Commission beginning with its year ended June 30, 2018. This Statement addresses accounting and financial reporting for OPEB that is provided to employees of State and local governmental employers.

GASB issued Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No.68 and No. 73*, will be effective for the Commission beginning with its year ended June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement 68*, and amendments to certain provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Management has not fully determined what impact, if any, these Statements may have on its financial statements; however, GASB Statement 75 is expected to have a material impact when implemented.

State of Illinois
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Required Supplementary Information
Budgetary Comparison Schedule - Major Governmental Fund - General Fund - Budgetary Basis
Year Ended June 30, 2016
(All dollar amounts are expressed in thousands)

	Budgeted Amounts		Actual	Actual Amounts	Variance from
	Original	Final	Amount	GAAP Basis	Final Budget
Revenues (inflows)					
Appropriations from State resources and other revenues					
General Revenue Account	$ 7,941	$ 7,941	$ 5,707	$ 5,707	$ (2,234)
Education Assistance Account	169,799	169,799	169,793	169,793	(6)
Combined totals	177,740	177,740	175,500	175,500	(2,240)
Expenditures (outflows)					
Education					
Program, administration, and capital outlay					
General Revenue Account	7,941	7,941	5,343	5,343	2,598
Education Assistance Account	169,799	169,799	169,793	169,793	6
Combined totals	177,740	177,740	175,136	175,136	2,604
Net change in fund balance	$ -	$ -	364	364	$ 364
Fund balance, July 1, 2015			5,444	5,444	
Fund balance, June 30, 2016			$ 5,808	$ 5,808	

See Notes to Required Supplementary Information.

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Required Supplementary Information
Notes to Required Supplementary Information
(All dollar amounts are expressed in thousands)

Explanation of differences between budgetary basis and GAAP basis of accounting:

The accompanying Budgetary Comparison Schedule - Major Governmental Funds - General Fund, presents comparisons of the legally adopted budgets with actual data on a budgetary basis.

Actual revenue amounts on the budgetary basis	$ 5,707
Total revenues on the GAAP basis	$ 5,707

State of Illinois
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Combining Schedule of Accounts
General Fund
June 30, 2016
(All dollar amounts are expressed in thousands)

	General Revenue Account	Educational Assistance Account	Total
Assets			
Unexpended appropriations	$ 20	$ 819	$ 839
Due from State of Illinois component units	-	41	41
Notes receivable, net of allowance of $29,898	5,788	-	5,788
Total assets	$ 5,808	$ 860	$ 6,668
Liabilities			
Accounts payable and accrued liabilities	$ -	$ 806	$ 806
Due to State of Illinois component units	-	54	54
Total liabilities	-	860	860
Fund Balances			
Nonspendable - notes receivable	5,788	-	5,788
Unassigned	20	-	20
Total fund balances	5,808	-	5,808
Total liabilities and fund balances	$ 5,808	$ 860	$ 6,668

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
Year Ended June 30, 2016
(All dollar amounts are expressed in thousands)

	General Revenue Account	Educational Assistance Account	Total
Expenditures			
Education			
Scholarships, awards and grants	$ 5,343	$ 169,793	$ 175,136
Deficiency of revenues over expenditures	(5,343)	(169,793)	(175,136)
Other sources (uses) of financial resources			
Appropriations from State resources	7,941	169,799	177,740
Lapsed appropriations	(1,919)	(6)	(1,925)
Receipts remitted to (from) State Treasury	(2,973)	-	(2,973)
SERS on behalf contribution	2,658	-	2,658
Net other sources (uses) of financial resources	5,707	169,793	175,500
Net change in fund balance	364	-	364
Fund balance, July 1, 2015	5,444	-	5,444
Fund balance, June 30, 2016	$ 5,808	$ -	$ 5,808

State of Illinois
Illinois Student Assistance Commission

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016
(All dollar amounts are expressed in thousands)

	Special Revenue Funds	
	I S A C Accounts Receivable	**John R. Justice Grant**
Assets		
Cash and cash equivalents	$ 123	$ -
Receivables		
Other	-	-
Total assets	$ 123	$ -
Liabilities and Fund Balances		
Liabilities		
Accounts payable and accrued liabilities	$ 4	$ -
Due to State of Illinois component units	-	-
Unearned revenue	-	-
Total liabilities	4	-
Fund balances		
Committed	119	-
Total liabilities and fund balances	$ 123	$ -

Special Revenue Funds: Golden Apple Scholars	Special Revenue Funds: University Grant	Special Revenue Funds: Contract and Grant	Special Revenue Funds: Optometric Education	Special Revenue Funds: Total	Debt Service Fund: I S A C COP	Total Nonmajor Governmental Funds
$ 314	$ 193	$ -	$ -	$ 630	$ -	$ 630
-	-	-	50	50	-	50
$ 314	$ 193	$ -	$ 50	$ 680	$ -	$ 680
$ 205	$ 90	$ -	$ 50	$ 349	$ -	$ 349
20	-	-	-	20	-	20
1	1	-	-	2	-	2
226	91	-	50	371	-	371
88	102	-	-	309	-	309
$ 314	$ 193	$ -	$ 50	$ 680	$ -	$ 680

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2016
(All dollar amounts are expressed in thousands)

	Special Revenue Funds	
	I S A C Accounts Receivable	**John R. Justice Grant**
Revenues		
Federal government	$ -	$ 41
Licenses, fees, and other	226	-
Total revenues	226	41
Expenditures		
Education		
Scholarships, awards and grants	149	41
Capital outlay - building improvement	-	-
Total expenditures	149	41
Excess (deficiency) of revenues over expenditures	77	-
Other sources of financial resources		
Appropriations from State resources	-	-
Transfers in	-	-
Net other sources of financial resources	-	-
Net change in fund balance	77	-
Fund balance, July 1, 2015	42	-
Fund balance, June 30, 2016	$ 119	$ -

Golden Apple Scholars	University Grant	Optometric Education	Total	Debt Service Fund I S A C COP	Total Nonmajor Governmental Funds
Special Revenue Funds					
$ -	$ -	$ -	$ 41	$ -	$ 41
49	93	-	368	-	368
49	93	-	409	-	409
225	90	50	555	-	555
-	-	-	-	259	259
225	90	50	555	259	814
(176)	3	(50)	(146)	(259)	(405)
-	-	50	50	-	50
-	-	-	-	259	259
-	-	50	50	259	309
(176)	3	-	(96)	-	(96)
264	99	-	405	-	405
$ 88	$ 102	$ -	$ 309	$ -	$ 309

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2016
(All dollar amounts are expressed in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Eliminations	Total
Assets				
Current				
Cash and cash equivalents	$ 53,350	$ 34,324	$ -	$ 87,674
Receivables				
Intergovernmental	582	23,884	-	24,466
Accrued interest on investments	26	17	-	43
Securities lending collateral	14,218	9,420	-	23,638
Due from other State funds	289	-	-	289
Due from other ISAC funds	2,393	-	-	2,393
Due from Federal Student Loan fund	1,071	-	(1,071)	-
Due from Student Loan Operating fund	-	271	(271)	-
Total current assets	71,929	67,916	(1,342)	138,503
Noncurrent				
Capital assets, net of accumulated depreciation	2,397	-	-	2,397
Due from Student Loan Operating fund	-	1,097	(1,097)	-
Total noncurrent assets	2,397	1,097	(1,097)	2,397
Total assets	74,326	69,013	(2,439)	140,900
Deferred Outflows of Resources				
Pension related amounts	6,997	-	-	6,997
Total assets and deferred outflows of resources	$ 81,323	$ 69,013	$ (2,439)	$ 147,897
Liabilities				
Current				
Accounts payable and accrued liabilities	$ 648	$ 11,374	$ -	$ 12,022
Due to Federal Student Loan fund	271	-	(271)	-
Due to Student Loan Operating fund	-	1,071	(1,071)	-
Due to other State funds	417	-	-	417
Securities lending collateral obligation	14,218	9,420	-	23,638
Due to U.S. Department of Education	-	7,061	-	7,061
Compensated absences	187	-	-	187
Total current liabilities	15,741	28,926	(1,342)	43,325
Noncurrent				
Due to Federal Student Loan fund	1,097	-	(1,097)	-
Net pension liability	45,933	-	-	45,933
Compensated absences	1,615	-	-	1,615
Total noncurrent liabilities	48,645	-	(1,097)	47,548
Total liabilities	64,386	28,926	(2,439)	90,873
Deferred Inflows of Resources				
Pension related amounts	35,307	-	-	35,307

(Continued)

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Net Position
Nonmajor Enterprise Funds (Continued)
June 30, 2016
(All dollar amounts are expressed in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Eliminations	Total
Net Position				
Net investment in capital assets	$ 2,397	$ -	$ -	$ 2,397
Restricted	-	40,087	-	40,087
Unrestricted	(20,767)	-	-	(20,767)
Total net position	(18,370)	40,087	-	21,717
Total liabilities, deferred inflows of resources and net position	$ 81,323	$ 69,013	$ (2,439)	$ 147,897

State of Illinois

Illinois Student Assistance Commission

Combining Statement of Revenues, Expenses and Changes in Net Position -

Nonmajor Enterprise Funds

Year Ended June 30, 2016

(All dollar amounts are expressed in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Operating revenues			
Portfolio maintenance fees	$ 2,405	$ -	$ 2,405
Direct consolidation fees	6,854	-	6,854
Collections on student loans previously reimbursed by the U.S. Department of Education	-	28,748	28,748
Other	1,199	-	1,199
Total operating revenues	10,458	28,748	39,206
Operating expenses			
Salaries and employee benefits	6,991	-	6,991
Loan guarantees	-	132,955	132,955
Management and professional services	9,777	-	9,777
Depreciation	398	-	398
Total operating expenses	17,166	132,955	150,121
Operating loss	(6,708)	(104,207)	(110,915)
Non-operating revenues			
Federal government	-	130,364	130,364
Interest revenue	242	180	422
Total non-operating revenues	242	130,544	130,786
Income (loss) before transfers	(6,466)	26,337	19,871
Transfers out to other ISAC funds	(259)	-	(259)
Transfers for:			
Collection retention fees	3,033	(3,033)	-
Repurchases/Rehabilitations/Consolidation Retention fees	24,534	(24,534)	-
Direct Consolidation fee refund	(3,211)	3,211	-
Default aversion fees	263	(263)	-
Net transfers	24,360	(24,619)	(259)
Change in net position	17,894	1,718	19,612
Net position, July 1, 2015	(36,264)	38,369	2,105
Net position, June 30, 2016	$ (18,370)	$ 40,087	$ 21,717

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Cash Flows -
Nonmajor Enterprise Funds
Year Ended June 30, 2016
(All dollar amounts are expressed in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Cash flows from operating activities			
Cash received from fees and other charges	$ 9,740	$ 146,338	$ 156,078
Cash payments to suppliers for goods and services	(4,924)	-	(4,924)
Cash payments to employees for services	(13,486)	-	(13,486)
Cash payments for loan guarantees	-	(136,980)	(136,980)
Cash payments for other operating activities	(4,485)	(123,329)	(127,814)
Net cash used in operating activities	(13,155)	(113,971)	(127,126)
Cash flows from noncapital financing activities			
Federal government grants	-	129,272	129,272
Transfers in	29,061	3,346	32,407
Transfers out	(3,255)	(29,061)	(32,316)
Net cash provided by noncapital financing activities	25,806	103,557	129,363
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(264)	-	(264)
Cash flows from investing activities			
Interest and dividends on investments	234	179	413
Net increase (decrease) in cash and cash equivalents	12,621	(10,235)	2,386
Cash and cash equivalents, July 1, 2015	40,729	44,559	85,288
Cash and cash equivalents, June 30, 2016	$ 53,350	$ 34,324	$ 87,674

(Continued)

State of Illinois
Illinois Student Assistance Commission

Combining Statement of Cash Flows -
Nonmajor Enterprise Funds (Continued)
Year Ended June 30, 2016
(All dollar amounts are expressed in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	$ (6,708)	$ (104,207)	$ (110,915)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	398	-	398
Change in assets and liabilities			
Intergovernmental receivables	56	-	56
Due from other State funds	(60)	(11)	(71)
Due from State of Illinois component units	21	-	21
Accounts payable and accrued liabilities	(189)	(3,050)	(3,239)
Intergovernmental payables	-	(6,703)	(6,703)
Due to other State funds and component units	(156)	-	(156)
Due to other ISAC funds	11	-	11
Compensated absences	1,134	-	1,134
Deferred inflows related to pensions	32,074	-	32,074
Deferred outflows related to pensions	5,020	-	5,020
Net pension liability	(44,756)	-	(44,756)
Total adjustments	(6,447)	(9,764)	(16,211)
Net cash used in operating activities	$ (13,155)	$ (113,971)	$ (127,126)

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

COLLEGE ILLINOIS!® PREPAID TUITION PROGRAM
ACTUARIAL SOUNDNESS VALUATION REPORT
AS OF JUNE 30, 2016

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

120 North LaSalle Street
Suite 1350
Chicago, IL 60602

312.456.9800 phone
312.683.3271 fax
www.gabrielroeder.com

October 13, 2016

Mr. Eric Zarnikow
Executive Director
Illinois Student Assistance Commission
James R. Thompson Center
100 West Randolph, Suite 3-200
Chicago, IL 60601-3293

Re: College Illinois!® Prepaid Tuition Program Actuarial Valuation as of June 30, 2016

Dear Mr. Zarnikow:

In accordance with the request of the Illinois Student Assistance Commission ("ISAC"), Gabriel, Roeder, Smith & Company ("GRS") has performed an actuarial soundness valuation of the College Illinois!® Prepaid Tuition Program ("CIPTP") as of June 30, 2016. Although the term "actuarial soundness" is not specifically defined, the primary purpose of this actuarial valuation is to evaluate the financial status of the program as of June 30, 2016.

This report presents the principal results of the actuarial valuation of the CIPTP including the following:

- A comparison of the actuarial present value of the obligations for prepaid tuition contracts purchased through June 30, 2016, with the value of the assets associated with the program as of that same date;
- An analysis of the factors which caused the deficit/surplus to change since the prior actuarial valuation; and
- A summary of the actuarial assumptions and methods utilized in the actuarial calculations.

This report was prepared at the request of ISAC and is intended for use by ISAC and those designated or approved by ISAC. This report may be provided to parties other than ISAC only in its entirety and only with the permission of ISAC. This report should not be relied on for any purpose other than the purpose described above.

The valuation results set forth in this report are based upon data and information, furnished by ISAC, concerning program benefits, financial transactions and beneficiaries of the CIPTP. We reviewed this information for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the Illinois Student Assistance Commission. Further, the data and information provided is through June 30, 2016, and do not reflect subsequent market volatility.

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The actuarial assumptions used in this analysis were based on an experience review for the period from July 1, 2011, to June 30, 2014, and were adopted for use commencing with the June 30, 2015, valuation. Beginning with the valuation as of June 30, 2016, the investment return assumption was decreased from 7.00 percent to 6.75 percent and the tuition and fee increase assumption was decreased to 5.00 percent for all future years.

The major actuarial assumptions used in this analysis were provided by and are the responsibility of ISAC.

Given the current asset allocation and liquidity requirements, and assuming that a sufficient number of new contracts are sold in the future to maintain the current asset allocation, the net investment rate of return assumption of 6.75 percent, appears to be consistent with applicable Actuarial Standards of Practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law. We have performed an analysis of the sensitivity of certain changes in future assumptions.

We believe that the actuarial methods used in this report are reasonable and appropriate for the purpose for which they have been used. In addition, because it is not possible or practical to consider every possible contingency, we may use summary information, estimates or simplifications of calculations to facilitate the modeling of future events. We may also exclude factors or data that are deemed to be immaterial.

To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the College Illinois!® Prepaid Tuition Program as of June 30, 2016. All calculations have been made in conformity with generally accepted actuarial principles and practices commonly applicable to similar types of arrangements.

There are currently no Actuarial Standards of Practice which specifically relate to prepaid tuition plans. We have looked to the Actuarial Standards of Practice related to pensions for guidance due to their similar nature.

Lance J. Weiss, Amy Williams and Alex Rivera are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. Lance J. Weiss, Amy Williams and Alex Rivera are independent of ISAC.

Respectfully submitted,

Gabriel, Roeder, Smith and Company

Lance J. Weiss

Lance J. Weiss, EA, MAAA, FCA
Senior Consultant and Team Leader

Amy Williams

Amy Williams, ASA, MAAA, FCA
Consultant

Alex Rivera

Alex Rivera, FSA, EA, MAAA, FCA
Senior Consultant

Table of Contents

SECTION A

EXECUTIVE SUMMARY

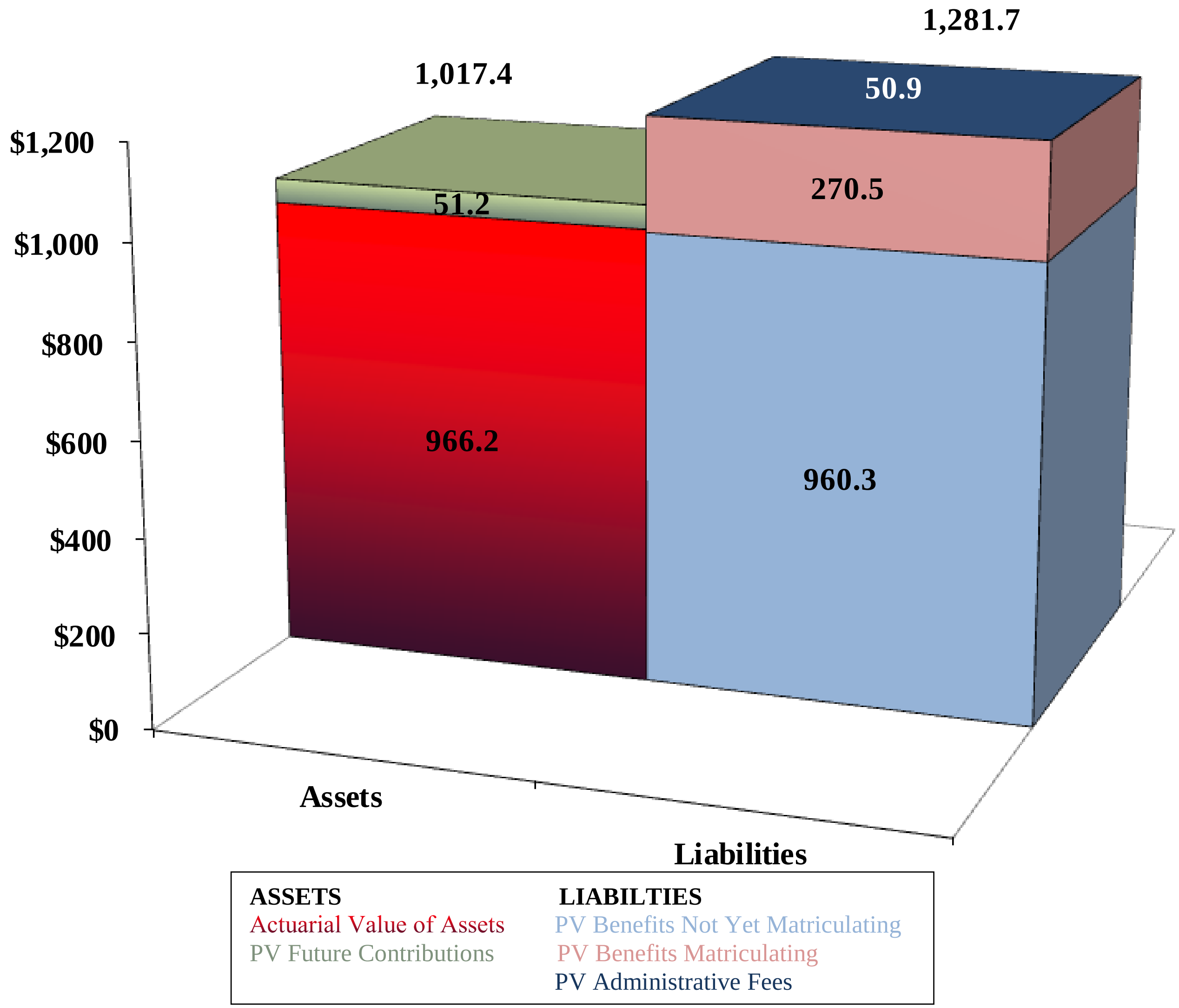
SUMMARY OF RESULTS

Principal Actuarial Soundness Valuation Results

Valuation Date:	June 30, 2016	June 30, 2015
Membership Summary:		
Counts		
Not yet Matriculating	28,234	31,194
Matriculating	12,841	12,385
Total	41,075	43,579
Average years until Enrollment if Not yet Matriculating	4.4	4.7
Assets [1]		
· Actuarial Value of Assets (AVA)	$1,017,411,839	$1,085,206,988
· Estimated Return	6.13%	3.90%
Actuarial Liabilities (Present Value of Future Tuition Payments, Fees, and Administrative Expenses)	$1,281,725,804	$1,377,318,169
Unfunded Liabilities	$264,313,965	$292,111,181
Funded Ratio	79.4%	78.8%

[1] *Asset values include present value of expected future contributions from current members.*

SUMMARY OF ASSETS AND LIABILITIES AS OF JUNE 30, 2016
$ IN MILLIONS



Funded Status as of June 30, 2016

	June 30, 2016
Actuarial Present Value of Future Tuition Payments, Fees and Expenses	$1,281,725,804
Actuarial Value of Assets (Including the Present Value of Installment Contract Receivables)	$1,017,411,839
Deficit/(Surplus) as of June 30, 2016	$264,313,965

Gain/Loss Summary

	Unfunded Liability (Market Value of Assets)
Value at June 30, 2015	$ 292,111,181
Expected Value at June 30, 2016	$ 309,309,748
(Gain)/Loss Due to:	
Investment Experience	$ 8,218,414
Change in Assumptions and Methods	(21,711,495)
Tuition/Fee Inflation	(40,802,985)
Other Demographic Experience*	9,300,283
Total	$ (44,995,783)
Actual Value at June 30, 2016	$ 264,313,965

**Other Demographic Experience includes deviations in actual contract beneficiary experience from our assumptions related to rates of enrollment and utilization of benefits and contract terminations and refunds.*

Additional Details on the development of the Expected Value at June 30, 2016, can be found on Page 9.

DISCUSSION

Actuarial Valuation

Gabriel, Roeder, Smith & Company ("GRS") has performed an actuarial soundness valuation of the College Illinois!® Prepaid Tuition Program ("CIPTP") as of June 30, 2016.

The primary purposes of the actuarial soundness valuation are to:

- Determine the actuarial present value of the obligations for prepaid tuition contracts purchased through June 30, 2016, and compare such liabilities with the value of the assets associated with the program as of that same date; and
- Analyze the factors which caused the deficit/surplus to change since the prior actuarial valuation.

This report summarizes those results and also presents the impact of variances in the rate of tuition and fee increases as well as the rate of investment return on assets.

In addition, the report provides summaries of the member data, financial data, plan provisions and actuarial assumptions and methods.

The actuarial assumptions and methods used for this June 30, 2016, actuarial soundness valuation, with the exception of the net investment return and tuition and fee increase assumptions, were based on an experience review for the period from July 1, 2011, to June 30, 2014, and were adopted for use commencing with the June 30, 2015, actuarial soundness valuation. The change in the net investment return and tuition and fee increase assumptions are discussed below.

Background

Legislation authorizing ISAC to administer an Illinois Prepaid Tuition Program was passed in November 1997. The purpose of the program is to provide Illinois families with an affordable tax-advantaged method to pay for college. CIPTP is open to all Illinois residents and non-Illinois residents purchasing for Illinois-resident beneficiaries. CIPTP contracts may allow participants to prepay the cost of tuition and mandatory fees at Illinois public universities and community colleges at expected projected costs, which may be more stable than actual future costs.

Benefits of the program can also be used at private and out-of-state colleges and universities. Contracts can be purchased in a lump sum or in installments. As a Section 529 plan, CIPTP earnings are exempt from state and federal income taxes.

The first CIPTP contracts were offered for sale in 1998. As of June 30, 2016, the CIPTP had 41,075 contracts in force.

Actuarial Assumptions

The actuarial soundness valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The actuarial assumptions used in this actuarial soundness valuation were based on an experience review for the period from July 1, 2011, to June 30, 2014, and were approved and adopted for use commencing with the June 30, 2015, actuarial soundness valuation by ISAC. These actuarial assumptions are the responsibility of ISAC.

Changes in Actuarial Assumptions Since Prior Valuation

For “Community College,” “University,” “University Plus” and “Legacy” contracts, the select and ultimate rate structure for tuition and fee increases were changed to a flat rate of 5.00 percent for fiscal years 2017 and beyond for all contract types. Furthermore, the net investment return assumption was decreased from 7.00 percent used in the June 30, 2015, actuarial soundness valuation, to 6.75 percent for the June 30, 2016, actuarial soundness valuation. These assumptions were provided to us by ISAC.

Given the current asset allocation and liquidity requirements, and assuming that a sufficient number of new contracts are sold in the future to maintain the current asset allocation, the net investment rate of return assumption of 6.75 percent, appears to be consistent with applicable Actuarial Standards of Practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law. We have performed an analysis of the sensitivity of certain changes in assumptions.

Financial Status of Program as of June 30, 2016

As of June 30, 2016, the present value of all future tuition obligations under contracts outstanding (and including future administrative expenses) at that date is $1,281,725,804. Fund assets as of June 30, 2016, including the market value of program assets and the present value of installment contract receivables, is $1,017,411,839.

The difference between the present value of future tuition obligations and the value of assets as of June 30, 2016, represents a program deficit of $264,313,965. The comparable program deficit as of the last valuation as of June 30, 2015, was $292,111,181.

Gain/Loss Analysis

As described above, the program deficit decreased from $292.1 million as of June 30, 2015, to $264.3 million as of June 30, 2016. Based on the actuarial assumptions used during the June 30, 2015, actuarial soundness valuation, the deficit was expected to increase to $309.3 million. The primary factors which caused the expected deficit to decrease by $45.0 million include tuition and fee increases that were less than expected and the change in actuarial assumptions and methods. These gains were partially offset by losses due to investment returns that were less than expected and other demographic experience (which includes deviations in actual contract beneficiary experience from our assumptions related to rates of enrollment and utilization of benefits and contract terminations and refunds).

The funded ratio increased from 78.8 percent as of June 30, 2015, to 79.4 percent as of June 30, 2016.

Benefit Provisions

The basic terms and conditions of the College Illinois!® Prepaid Tuition Program (the “Program”) are included in the Illinois Prepaid Tuition Act, 110 ILCS 979 (the "Act") and ISAC Administrative Rules (23 Ill. Adm. Code 2775, et. seq.) ("ISAC Rules").

We understand there were no changes in the program provisions since the last actuarial soundness valuation as of June 30, 2015.

Assets

CIPTP assets are held in trust. ISAC provided the asset information used in the June 30, 2016, actuarial valuation.

This report contains several exhibits summarizing the plan's assets, including a summary of the market value of assets broken down by asset category and a reconciliation of the assets from the last actuarial valuation date to the current actuarial valuation date. The approximate return on market value of assets was 6.13 percent for the year ended June 30, 2016.

Commencing with the June 30, 2015, valuation, the actuarial value of assets is equal to the market value of assets.

Contract Prices

Contract prices are determined for each enrollment period based upon a variety of factors and include a built-in stabilization factor. The stabilization factor is intended to help insulate the Program from unexpected market volatility and improve the funded status of the Program over time. Each year, ISAC reviews the actuarial soundness report, the Mean Weighted Average Tuition and Fees and the stabilization factor amount to establish contract pricing. In effect, contract prices are reviewed in order to reflect tuition and fee increases at Illinois public institutions, as well as other actuarial criteria.

Contracts Sold by Enrollment Year

The chart on page 16 in Section D illustrates the number of contracts sold by enrollment year.

As this chart indicates, the number of contracts sold has decreased significantly during the last five enrollment years from the number sold per year in previous years.

- The average annual number of contracts sold beginning with the enrollment period 1999/2000 and ending with the enrollment period 2009/2010 was 5,235.
- The average annual number of contracts sold during the last six year period 2010/2011 to 2015/2016 was 577 including 2011/2012 when the plan was not open for new contract sales.
- The average annual number of contracts sold during the last six year period 2010/2011 to 2015/2016 was 692 excluding 2011/2012 when the plan was not open for new contract sales.

Projection Scenarios

The June 30, 2015 Actuarial Soundness Report included both closed group and open group projection scenarios. At the request of ISAC, such projections will now be included in a separate report.

Disclosure

This report is not a recommendation to anyone to participate or not participate in the CIPTP. GRS makes no representations or warranties to any person participating in or considering participation in the CIPTP.

SECTION B

ACTUARIAL SOUNDNESS VALUATION RESULTS

Exhibit I
Principal Actuarial Soundness Valuation Results

Valuation Date:	**June 30, 2016**	**June 30, 2015**
1. Number of Members		
a. Not yet Matriculating:	28,234	31,194
b. Matriculating:	12,841	12,385
c. Total	41,075	43,579
Average Years until Enrollment if Not Yet Matriculating	4.4	4.7
2. Assets		
a. Market Value of Assets (in Trust)	$ 966,205,198	$ 1,025,385,432
b. PV Future Member Contributions	51,206,641	59,821,556
c. Total Actuarial Value of Assets (AVA) (2a + 2b)	$ 1,017,411,839	$ 1,085,206,988
3. Actuarial Results		
Liabilities		
a. Not yet Matriculating - Tuition and Fees	$ 960,311,076	$ 1,062,457,974
b. Matriculating - Tuition and Fees	270,488,425	257,743,983
c. Present Value of Future Administrative Expenses	50,926,303	57,116,212
d. Total	$ 1,281,725,804	$ 1,377,318,169
Unfunded Liability	$ 264,313,965	$ 292,111,181
Funded Ratio	79.4%	78.8%

Exhibit I
Principal Actuarial Soundness Valuation Results (Continued)

Valuation Date:	June 30, 2016	June 30, 2015
1. Assets		
a. Market Value of Assets (in Trust)	$ 966,205,198	
b. PV Future Member Contributions (Short Term)[a]	15,322,801	
c. PV Future Member Contributions (Long Term)[b]	35,883,840	
d. Total Market Value of Assets (MVA)	$ 1,017,411,839	$ 1,085,206,988
2. Actuarial Present Value of Tuition, Fees and Admin Expenses		
a. Short Term[a]	$ 152,815,221	
b. Long Term[b]	1,128,910,583	
c. Total	$ 1,281,725,804	$ 1,377,318,169
Unfunded Liability (Surplus)	$ 264,313,965	$ 292,111,181
Funded Ratio	79.4%	78.8%

[a] *Present value of amounts in following year.*
[b] *Present value of amounts after first year.*

Exhibit II
Gain/Loss Summary

	Present Value of Benefits	Plan Assets [1]	Unfunded Liability
1. Values at June 30, 2015	$ 1,377,318,169	$ 1,085,206,988	$ 292,111,181
2. Actual Tuition Payments, Refunds, and Administrative Expenses	$ (145,128,444)	$ (145,128,444)	$ -
3. Interest on 1. and 2. at 7.00%	$ 91,418,686	$ 70,970,904	$ 20,447,782
4. New Contracts	$ 10,109,059	$ 13,358,274	$ (3,249,215)
5. Projected Values at June 30, 2016 (1. + 2. + 3. + 4.)	$ 1,333,717,470	$ 1,024,407,722	$ 309,309,748
6. (Gain)/Loss Due to:			
Investment Experience	$ -	$ 8,218,414	$ 8,218,414
Change in Assumptions and Methods	(21,389,151)	(322,344)	(21,711,495)
Tuition/Fee Inflation	(40,802,985)	-	(40,802,985)
Other Demographic Experience [2]	10,200,470	(900,187)	9,300,283
Total	$ (51,991,666)	$ 6,995,883	$ (44,995,783)
7. Actual Values at June 30, 2016 (5. + 6.)	$ 1,281,725,804	$ 1,017,411,839	$ 264,313,965

[1] *Equals sum of market value of trust assets plus present value of future member contributions*

[2] *Other Demographic Experience includes deviations in actual contract beneficiary experience from our assumptions related to rates of enrollment and utilization of benefits and contract terminations and refunds. Other Demographic Experience for Plan Assets is the change in the present value of future member contributions.*

Exhibit III
Gain/Loss History

	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016
Unfunded Liability at Prior Valuation Date	$ 536,337,123	$ 467,404,585	$ 448,506,323	$ 328,182,173	$ 292,111,181
Projected Unfunded Liability at Valuation Date	$ 585,357,342	$ 491,441,672	$ 474,596,839	$ 346,104,498	$ 309,309,748
(Gain)/Loss Due to:					
Investment Experience	$ 50,941,188	$ (13,003,926)	$ (44,221,698)	$ 31,916,454	$ 8,218,414
Change in Assumptions	(81,435,163)	24,441,468	(53,755,927)	(49,845,761)	(21,711,495)
Tuition/Fee Inflation*	N/A	(66,164,363)	(45,359,154)	(47,420,647)	(40,802,985)
Other Demographic Experience	(87,458,782)	11,791,472	(3,077,887)	11,356,637	9,300,283
Total	$ (117,952,757)	$ (42,935,349)	$ (146,414,666)	$ (53,993,317)	$ (44,995,783)
Unfunded Liability at Valuation Date	$ 467,404,585	$ 448,506,323	$ 328,182,173	$ 292,111,181	$ 264,313,965

**Prior to the June 30, 2013, soundness valuation, Tuition and Fee Inflation was included with "Other Demographic Experience"*

Exhibit IV
Sensitivity Testing Results

The actuarial assumptions regarding future increases in tuition costs and fees and the future rate of investment return were provided to us by ISAC. In our opinion, the actuarial assumptions provided to us are reasonable for the purpose of the measurement. However, no one really knows what the future holds with respect to economic conditions and other contingencies. For example, while it is assumed that the assets of the fund will earn 6.75 percent each year throughout the life of the contracts, actual returns are expected to vary from year to year. Therefore, we have projected CIPTP results under alternative assumptions for future investment income, tuition increases and fee increases.

1. Tuition increases are 100 basis points higher/lower in each future year than assumed in the baseline valuation (measurement of soundness).
2. Fee increases are 100 basis points higher/lower in each future year than assumed in the baseline valuation (measurement of soundness).
3. The investment return is 50 basis points higher/lower in each future year than assumed in the baseline valuation (measurement of soundness).

The impact of each of these scenarios on the principal actuarial soundness valuation results is presented on the following page.

Exhibit IV
Sensitivity Testing Results (Continued)

$ in Millions

		Current Valuation Assumptions	Assumed Tuition Increases +100 Basis Points	Assumed Tuition Increases -100 Basis Points	Assumed Fee Increases +100 Basis Points	Assumed Fee Increases -100 Basis Points	Assumed Investment Return +50 Basis Points	Assumed Investment Return -50 Basis Points
1	Assets							
	a. Market Value of Assets (in Trust)	$966.2	$966.2	$966.2	$966.2	$966.2	$966.2	$966.2
	b. PV Future Member Contributions	51.2	51.2	51.2	51.2	51.2	50.6	51.9
	c. Total Actuarial Value of Assets (AVA) (2a + 2b)	$1,017.4	$1,017.4	$1,017.4	$1,017.4	$1,017.4	$1,016.8	$1,018.1
2	Actuarial Results							
	Liabilities							
	a. Not yet Matriculating - Tuition and Fees	$960.3	$988.9	$933.5	$973.8	$947.8	$932.2	$989.8
	b. Matriculating - Tuition and Fees	270.5	271.9	270.4	272.2	270.1	267.9	273.2
	c. Present Value of Future Administrative Expenses	50.9	50.9	50.9	50.9	50.9	49.6	52.3
	d. Total	$1,281.7	$1,311.7	$1,254.8	$1,296.9	$1,268.8	$1,249.7	$1,315.3
	Unfunded Liability	$264.3	$294.3	$237.4	$279.5	$251.4	$232.9	$297.2
	Funded Ratio	79.4%	77.6%	81.1%	78.4%	80.2%	81.4%	77.4%
	Difference From Current Assumptions							
	Unfunded Liability	$0.0	$30.0	-$26.9	$15.2	-$12.9	-$31.4	$32.9
	Funded Ratio	0.0%	-1.8%	1.7%	-1.0%	0.8%	2.0%	-2.0%

SECTION C

FUND ASSETS

STATEMENT OF PLAN ASSETS (ASSETS AT MARKET OR FAIR VALUE)

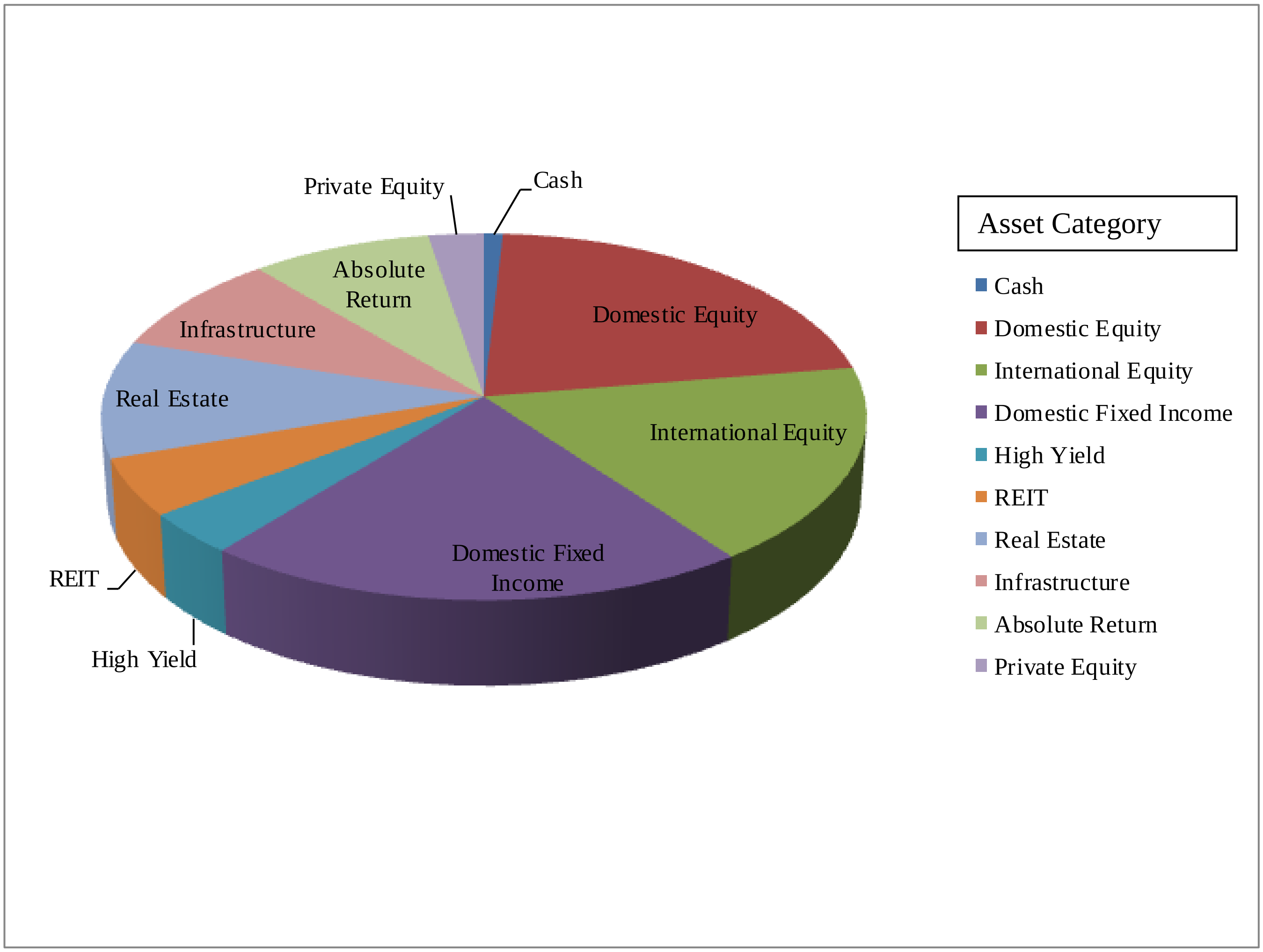
College Illinois!® Prepaid Tuition Program

Statement of Plan Net Assets

Year ended June 30, 2016

Cash	$	8,611,200
Investments		
Domestic Equity	$	208,004,323
International Equity		168,973,883
Domestic Fixed Income		202,020,259
High Yield		35,913,334
REIT		49,399,957
Real Estate		99,826,360
Infrastructure		85,683,602
Absolute Return		82,574,819
Private Equity		25,197,461
Total Investments	$	957,593,998
Total Assets	$	966,205,198

ALLOCATION OF ASSETS AT JUNE 30, 2016



RECONCILIATION OF MARKET VALUE OF PLAN ASSETS

College Illinois!® Prepaid Tuition Program

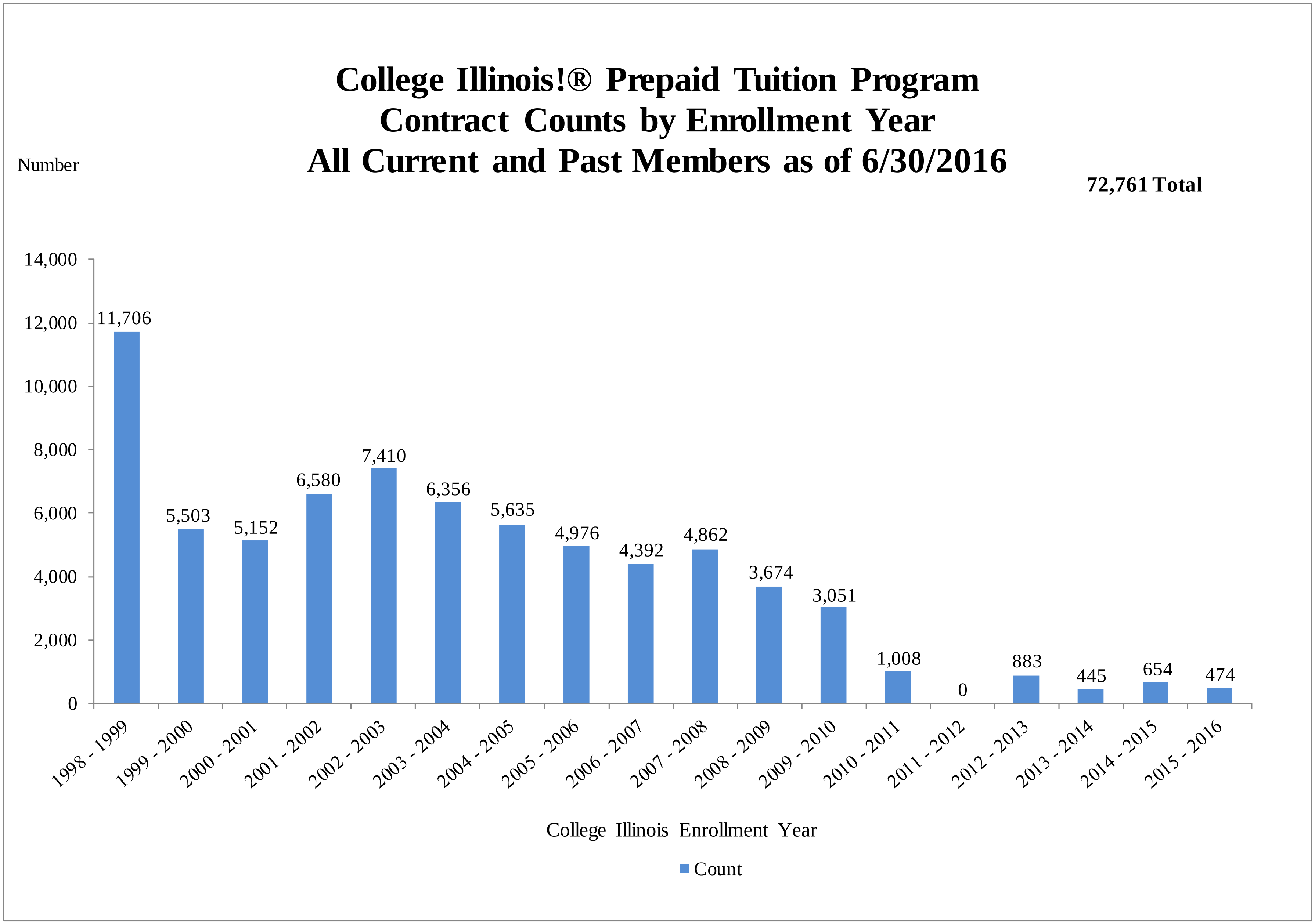
Statement of Changes in Plan Net Assets

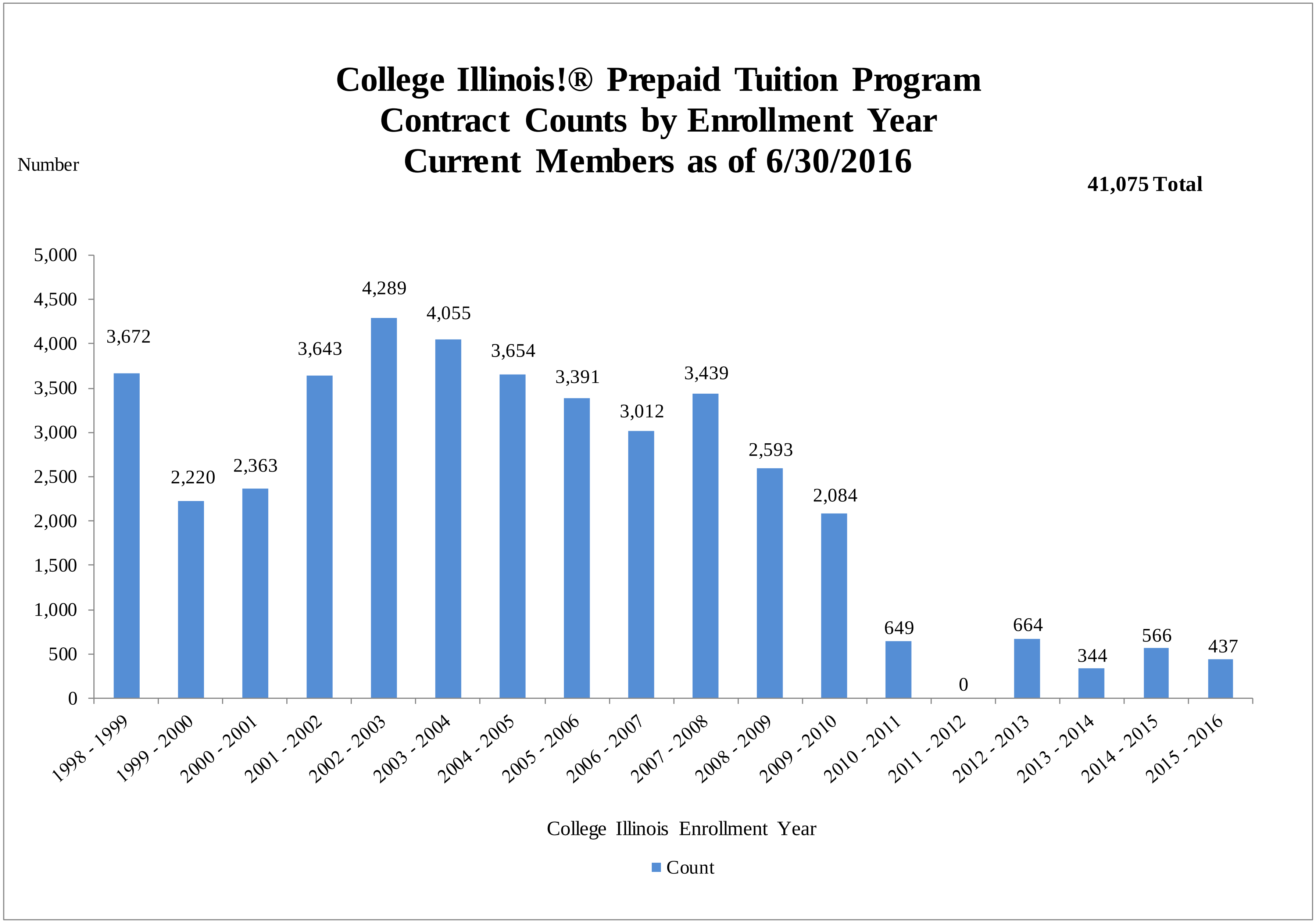
Twelve Month Period ended June 30, 2016

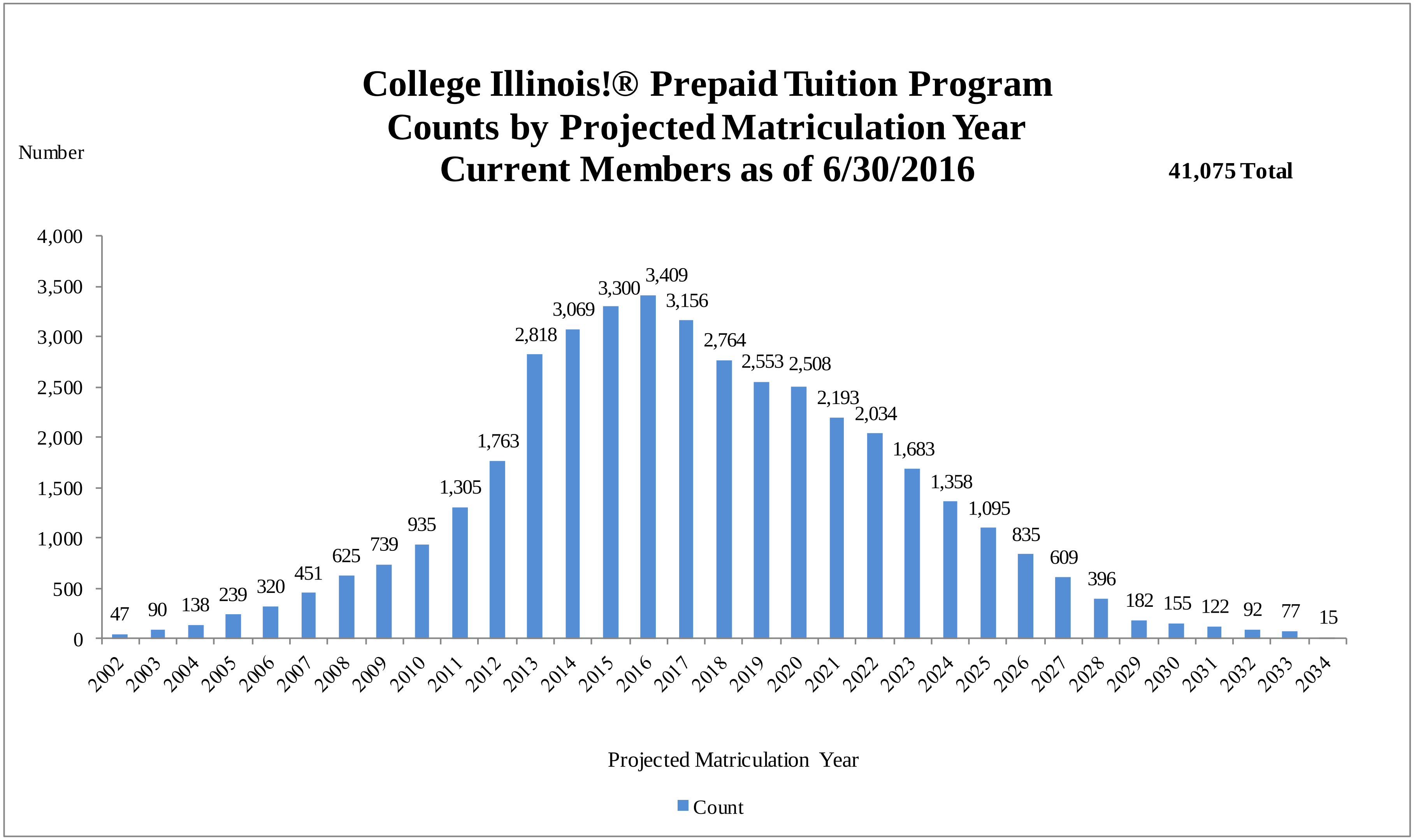
Beginning of Period		7/1/2015
End of Period		6/30/2016
Additions:		
Contributions received	$	26,712,224
Gross investment income		19,087,402
Realized/Unrealized investment gains/(losses)		43,237,231
Total Additions	$	89,036,857
Deductions:		
Tuition payments	$	123,731,864
Refunds to Purchasers		15,069,216
Investment expenses & advisory fees		3,088,647
Administrative expenses		6,327,364
Total Deductions	$	148,217,091
Net increase/(decrease)	$	(59,180,234)
Market Value of Assets:		
Beginning of period	$	1,025,385,432
End of period (6/30/2016)	$	966,205,198
Present Value of Future Contributions by Current Contract Holders		51,206,641
Market Value of Total Fund Assets as of June 30, 2016	$	1,017,411,839

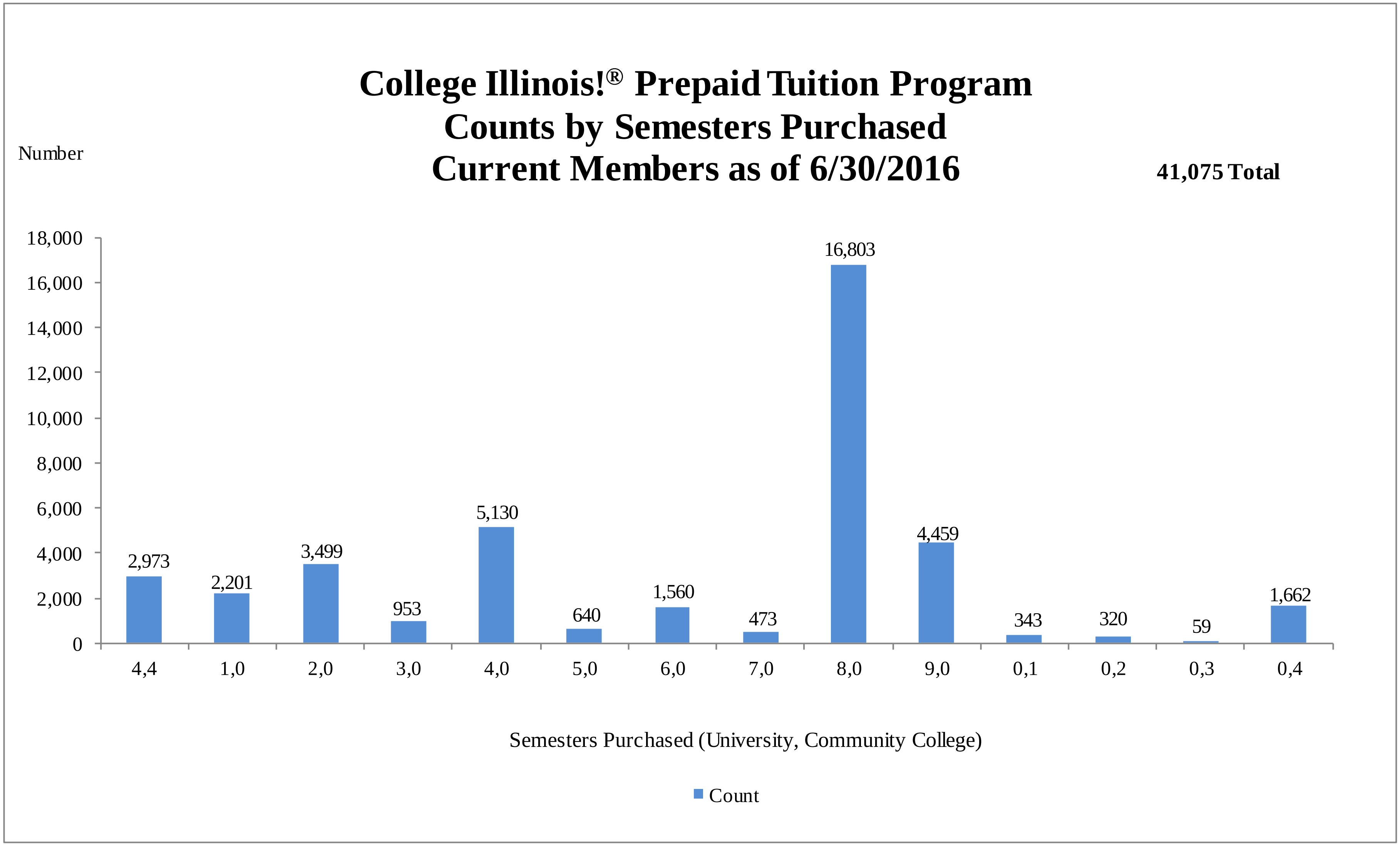
SECTION D

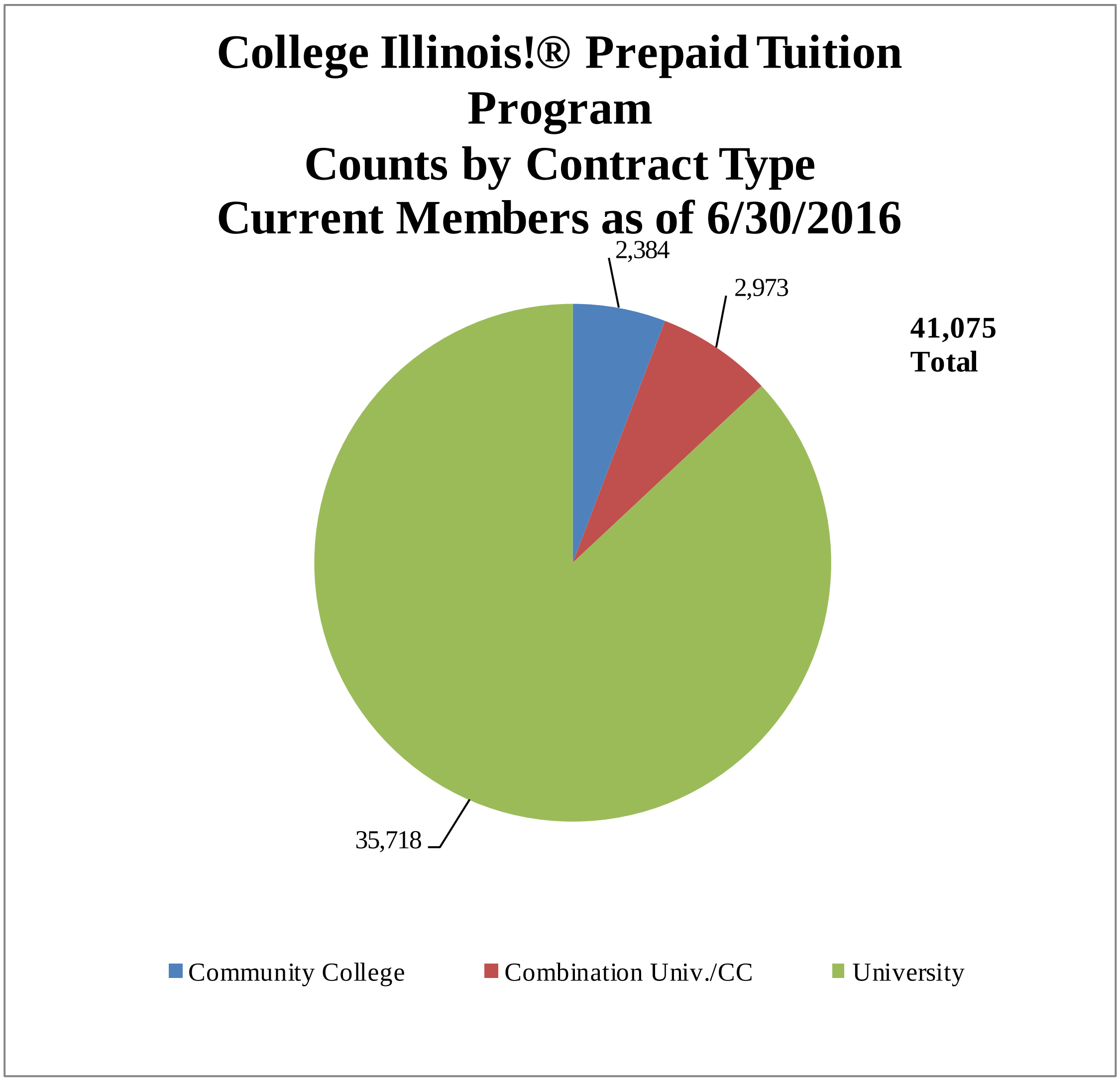
PARTICIPANT DATA

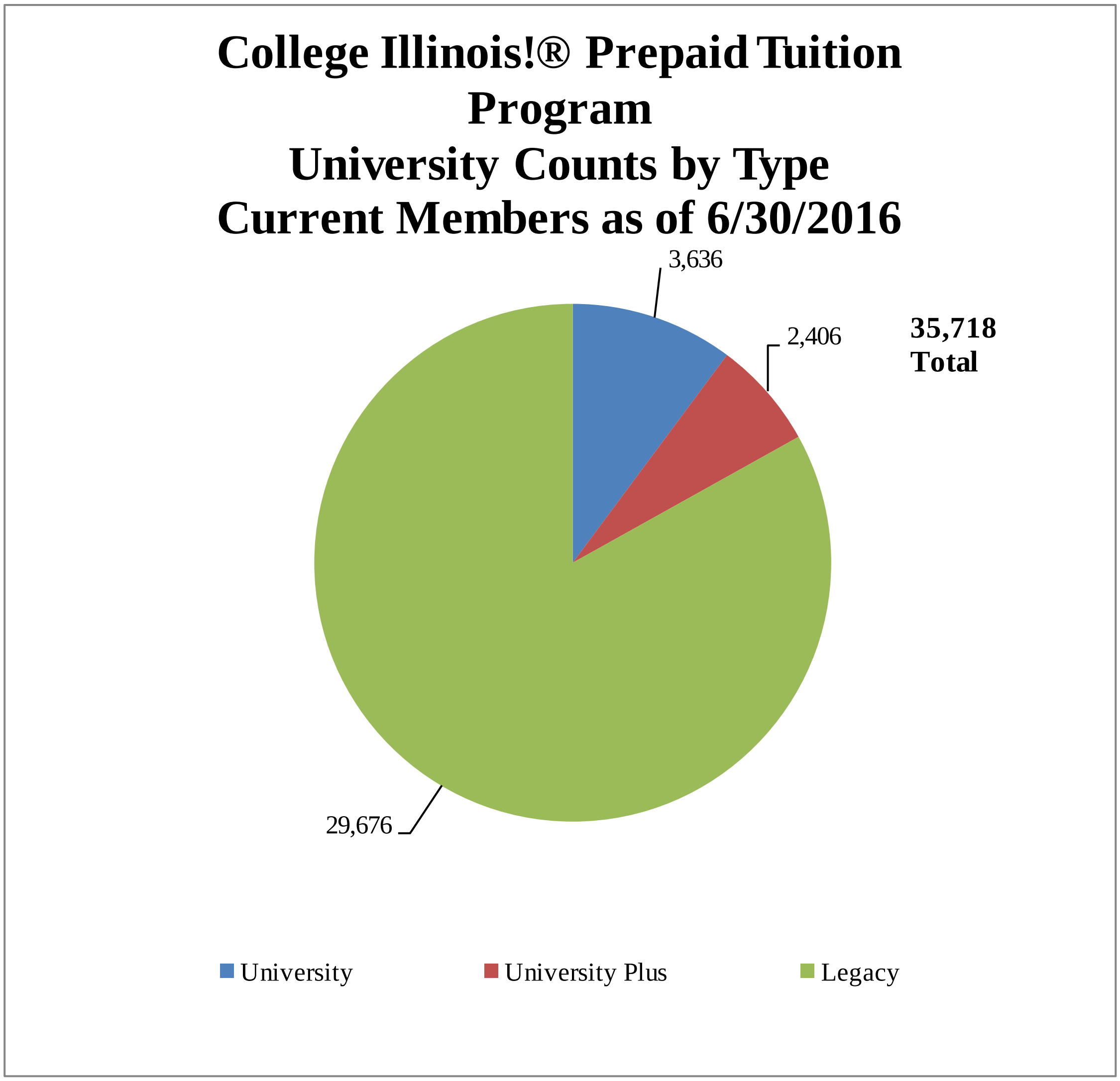

College Illinois!® Prepaid Tuition Program
Contract Counts by Enrollment Year
All Current and Past Members as of 6/30/2016
Number
72,761 Total
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
11,706
5,503
5,152
6,580
7,410
6,356
5,635
4,976
4,392
4,862
3,674
3,051
1,008
0
883
445
654
474
1998 - 1999
1999 - 2000
2000 - 2001
2001 - 2002
2002 - 2003
2003 - 2004
2004 - 2005
2005 - 2006
2006 - 2007
2007 - 2008
2008 - 2009
2009 - 2010
2010 - 2011
2011 - 2012
2012 - 2013
2013 - 2014
2014 - 2015
2015 - 2016
College Illinois Enrollment Year
Count


College Illinois!® Prepaid Tuition Program
Contract Counts by Enrollment Year
Current Members as of 6/30/2016
Number
41,075 Total
5,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
3,672
2,220
2,363
3,643
4,289
4,055
3,654
3,391
3,012
3,439
2,593
2,084
649
0
664
344
566
437
1998 - 1999
1999 - 2000
2000 - 2001
2001 - 2002
2002 - 2003
2003 - 2004
2004 - 2005
2005 - 2006
2006 - 2007
2007 - 2008
2008 - 2009
2009 - 2010
2010 - 2011
2011 - 2012
2012 - 2013
2013 - 2014
2014 - 2015
2015 - 2016
College Illinois Enrollment Year
Count


College Illinois!® Prepaid Tuition Program
Counts by Projected Matriculation Year
Current Members as of 6/30/2016
41,075 Total
Number
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
47 90 138 239 320 451 625 739 935 1,305 1,763 2,818 3,069 3,300 3,409 3,156 2,764 2,553 2,508 2,193 2,034 1,683 1,358 1,095 835 609 396 182 155 122 92 77 15
2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034
Projected Matriculation Year
Count


College Illinois!® Prepaid Tuition Program
Counts by Semesters Purchased
Current Members as of 6/30/2016
41,075 Total
Number
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
2,973
2,201
3,499
953
5,130
640
1,560
473
16,803
4,459
343
320
59
1,662
4,4
1,0
2,0
3,0
4,0
5,0
6,0
7,0
8,0
9,0
0,1
0,2
0,3
0,4
Semesters Purchased (University, Community College)
Count


College Illinois!® Prepaid Tuition Program
Counts by Contract Type
Current Members as of 6/30/2016
2,384
2,973
41,075
Total
35,718
Community College
Combination Univ./CC
University


College Illinois!® Prepaid Tuition Program
University Counts by Type
Current Members as of 6/30/2016
3,636
2,406
35,718 Total
29,676
University
University Plus
Legacy

SECTION E

METHODS & ASSUMPTIONS

VALUATION METHODS

Actuarial Value of Assets – The Actuarial Value of Assets is equal to the Market Value of Assets.

VALUATION ASSUMPTIONS

The actuarial assumptions used in the valuation are shown in this Section.

Measurement Date June 30, 2016

The net investment return rate 6.75 percent per annum, compounded annually. Includes inflation assumption of 3.00 percent. (Updated for the valuation as of June 30, 2016)

Given the current asset allocation and liquidity requirements, and assuming that a sufficient number of new contracts are sold in the future to maintain the current asset allocation, the net investment rate of return assumption of 6.75 percent, appears to be consistent with applicable Actuarial Standards of Practice.

Weighted Average Tuition and Fees (WATF) Based on the Freshman Blended Tuition Rate and Increases by Contract Type

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy†
2016-2017 Weighted Tuition	$3,698	$10,410	$14,136	$11,318
2016-2017 Weighted Fees	459	3,748	3,662	3,727
2016-2017 Total WATF	4,157	14,158	17,798	15,045

†"Legacy contracts refer to contracts sold prior to October 2008. These contracts can be used for full tuition and fees at any public University in the State of Illinois, including UIUC.

For continuing students at public universities and students attending community colleges, fees are combined with tuition in our projections and follow their respective tuition inflation assumptions.

These assumptions were chosen by ISAC and consider historical Illinois public tuition and fee inflation, typically over a 20-year horizon, as well as current economic and political conditions.

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy†
2016-2017 Total WATF	$4,157	$14,158	$17,798	$15,045
2015-2016 Total WATF	3,980	13,770	17,726	14,687
WATF Increase	4.45%	2.82%	0.41%	2.44%

Tuition and Fee Increase Assumption

Tuition and Fee Increase Assumption - June 30, 2016, Actuarial Valuation				
Effective Date	Community College	University	University Plus	Legacy
6/30/2017 and Beyond	5.00%	5.00%	5.00%	5.00%

(Updated for the valuation as of June 30, 2016)

Truth in Tuition

We have segregated the beneficiaries into two categories, those beneficiaries that fall under the Truth in Tuition law and those that do not. The Truth in Tuition law does not apply to community colleges.

For Truth in Tuition beneficiaries, it was assumed that their tuition will not increase in their second, third and fourth year of school. If they attend school beyond four years, it was assumed that their tuition would increase to the amount charged the year after the year they first enrolled. For all other beneficiaries, it was assumed that tuition will rise for each year enrolled. It was assumed fees will rise for each year enrolled.

Administrative Expenses

Administrative expenses of the Program are assumed to be paid through a combination of investment earnings and fees assessed on purchasers. Marketing expenses (assumed to be 12 percent of the total administrative expenses) were excluded from the liabilities (present value of future administrative expenses) for current contract beneficiaries as it is assumed those costs should be applicable to future contracts. Administrative expenses are projected to increase by the rate of the inflation assumption of 3.0 percent for 7 years and then decline at the same rate the present value of benefits declines (combined with a 3.0 percent increase for inflation). The present value of future administrative expenses was determined to be equal to approximately 4.0 percent of the total liabilities.

Bias Load

"Legacy," Choice 1 and Choice 2 contract beneficiaries were assumed on average to attend more expensive schools than indicated by the headcount information that was used to determine the 2016-2017 WATF. A load of 4.0 percent for "Legacy" contracts, 5.5 percent for Choice 1 contracts and 2.5 percent for Choice 2 contracts was added to the WATF assumption to recognize this bias toward enrollment at more expensive schools. No bias load was applied to the "University Plus" beneficiaries due to the separation of UIUC.

Mortality and Disability

No assumption is made for death or disability. Valuing the rate of incidence is expected to be immaterial.

Future Beneficiary Profile

The characteristics of future beneficiaries are assumed to be the same as the characteristics of 2016 new beneficiaries.

The Rates of Enrollment

These rates are used to measure the probability of eligible members matriculating at and beyond their projected college entrance date.

Years From Projected College Entrance Year	Matriculation Rate
0	70%
1	35%
2	40%
3	30%
4	20%
5	15%
6	15%
7	10%
8	10%
9	10%
10	0%

Rates of Cancellation

These rates are used to measure the probability of eligible members cancelling their contracts before and after projected college entrance date.

Years From Projected College Entrance Year	Cancellation Rate
-17	8%
-16	7%
-15	6%
-14	4%
-13	4%
-12	3%
-11	3%
-10	3%
-9	2%
-8	2%
-7	2%
-6	2%
-5	2%
-4	1%

Years From Projected College Entrance Year	Cancellation Rate
-3	1%
-2	1%
-1	1%
0	2%
1	2%
2	3%
3	3%
4	5%
5	5%
6	8%
7	8%
8	5%
9	5%
10	5%

In the event of a cancellation, it was assumed that a refund will be paid equal to the amount of contributions paid by the contract holder, increased by 2 percent for each subsequent year after purchase for contracts sold prior to October 1, 2013.

Utilization of Benefits

Once they start matriculating, beneficiaries are assumed to use the benefits as described by the CIPTP Master Agreement according to the schedule below.

Distribution of Benefit Utilization									
Number of Years Since Matriculation	**Number of Semesters Purchased**								
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
1	73%	73%	49%	37%	29%	24%	21%	18%	16%
2	20%	20%	28%	35%	26%	24%	21%	18%	16%
3	7%	7%	14%	17%	19%	22%	21%	18%	16%
4			5%	6%	13%	15%	21%	18%	16%
5			5%	6%	7%	9%	8%	13%	16%
6					3%	4%	3%	6%	8%
7					2%	2%	2%	4%	6%
8							1%	2%	4%
9							1%	2%	1%

Once a contract beneficiary has matriculated, and if the contract beneficiary has used credits within the past year, it is assumed that the contract beneficiary will utilize 22 credits per year until benefits are fully depleted.

If the contract beneficiary has matriculated, but the contract beneficiary has not used credits within the past year, the matriculation rates, cancellation rates and benefit utilization rates that apply to members that have not matriculated yet are assumed. (Updated for the valuation as of June 30, 2016)

SECTION F
PLAN PROVISIONS

PLAN PROVISIONS

(This is a summary only; the full terms and conditions of the College Illinois!® Prepaid Tuition Program are included in the Illinois Prepaid Tuition Act, 110 ILCS 979 (the "Act") and ISAC Administrative Rules (23 Ill. Adm. Code 2775, et. seq.) ("ISAC Rules").

A. Type of Contract

Three types of contracts are available for purchase: Choice 1 - Community College, Choice 2 – University and Choice 3 – University Plus.

B. Benefit

Covered benefits include tuition and mandatory fees at an Illinois public university or community college based on the in-state or in-district undergraduate rate for a full-time student.

Mandatory fees are fees that are required upon enrollment for all students attending the particular institution.

The benefit does not include any optional fees, expenses or cost of supplies.

Benefit shall never be less than payment amount.

C. Member Contributions

The Program offers a variety of payment options, including the following:

- Lump Sum;
- 5-year installment plans paid monthly or annually;
- Extended installment plans of 6 to 15 years, depending on age, paid monthly or annually;
- Down payment options are available for monthly installment plans.

D. Private or Out-of-State Institutions

For beneficiaries attending a private or out-of-state institution, the plan will pay an amount based upon the weighted average tuition and mandatory fees at Illinois public universities or community colleges depending on the type of contract purchased.

PLAN PROVISIONS (CONTINUED)

E. Scholarship

If a qualified beneficiary is awarded a grant or scholarship that duplicates the benefits covered by a prepaid tuition contract, the purchaser may request a refund in semester installments.

Illinois public university or community college – the installments will be in an amount equal to the current cost of in-state or in-district registration fees at that institution, less any benefits used to pay registration fees not covered by the scholarship and any applicable fees.

Illinois Private Institution or an eligible Out-of-State Institution – the installments will be in an amount equal to the current average mean-weighted credit hour value of registration fees at Illinois public universities or Illinois community colleges, depending on the type of the purchased contract, less any benefits used to pay registration fees not covered by the scholarship and any applicable fees.

F. Not Attending an Institution of Higher Education

Benefits can be transferred to a member of the "family" as defined in Section 529 of the Internal Revenue Code.

Purchasers can also choose to postpone the beneficiary's use of contract benefits to a later time or receive a refund payment equal to all contributions, plus two percent interest (only applicable to contracts purchased prior to the 2013/2014 enrollment period), less applicable cancellation fees.

G. Death/Disability of Qualified Beneficiary

Refunds equal to amount paid with all accrued earnings will be made to purchaser.

H. Changes from Previous Valuation

None.

I. Other Ancillary Benefits

There are no ancillary benefits.

Gabriel Roeder Smith & Company
Consultants & Actuaries

COLLEGE ILLINOIS!® PREPAID TUITION PROGRAM
SUPPLEMENTAL ACTUARIAL SOUNDNESS VALUATION REPORT
AS OF JUNE 30, 2016

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries
120 North LaSalle Street
Suite 1350
Chicago, IL 60602
312.456.9800 phone
312.683.3271 fax
www.gabrielroeder.com

October 28, 2016

Mr. Eric Zarnikow
Executive Director
Illinois Student Assistance Commission
James R. Thompson Center
100 West Randolph, Suite 3-200
Chicago, IL 60601-3293

**Re: College Illinois!® Prepaid Tuition Program
Supplemental Actuarial Soundness Valuation Report as of June 30, 2016**

Dear Mr. Zarnikow:

In accordance with the request of the Illinois Student Assistance Commission ("ISAC"), Gabriel, Roeder, Smith & Company ("GRS") has performed projections of the College Illinois!® Prepaid Tuition Program ("Program" or "CIPTP") under alternative open group and closed group scenarios. The purpose of these projections is to provide additional information to ISAC regarding the range of potential outcomes of different future year contract sales scenarios.

Please note that the open group scenarios included in this report (1) were specifically requested by ISAC, (2) are presented for illustrative purposes only and (3) do not consider how increases in contract prices can impact future sales. Because there are many factors that may impact the decision to purchase or not to purchase a prepaid tuition contract in Illinois, including but not limited to (1) increasingly unaffordable college tuition, (2) the extended state budget impasse, (3) uncertainty about the state's support and funding for higher education in Illinois, (4) contract prices, (5) the level of contribution premium over the expected costs, and (6) competing savings vehicles, etc., it is very difficult to assess the likelihood of selling a particular number of contracts. Therefore, GRS is unable to judge the reasonableness of these open group contract sales scenarios.

While the closing of the CIPTP has not occurred, we have also provided an alternate closed group projection assuming no new contract sales after June 30, 2016. Please note that this closed group scenario was specifically requested by ISAC and is also presented for illustrative purposes only.

For purposes of this analysis, we used the actuarial soundness valuation results from the June 30, 2016, Actuarial Soundness Valuation, and unless noted differently, the same actuarial assumptions and methods as used for the June 30, 2016, Actuarial Soundness Valuation.

The projection results summarized in this report involve actuarial calculations that require assumptions about future events. The major actuarial assumptions used in this analysis were provided by and are the responsibility of ISAC. We are unable to judge the reasonableness of some of these assumptions without performing a substantial amount of additional work beyond the scope of the assignment.

This supplemental report was prepared at the request of ISAC and is intended for use by ISAC and those designated or approved by ISAC. This report may be provided to parties other than ISAC only in its entirety and only with the permission of ISAC. This report should not be relied on for any purpose other than the purpose described above.

Please understand that future actuarial measurements may differ significantly from the current measurements presented in this analysis due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

This supplemental report is one of multiple documents providing actuarial soundness valuation results for the College Illinois!® Prepaid Tuition Program as of June 30, 2016. Additional information regarding actuarial assumptions and methods, underlying financial and beneficiary data and important additional disclosures are provided in the June 30, 2016, Actuarial Soundness Valuation.

This supplemental report is not a recommendation to anyone to participate or not participate in the CIPTP. GRS makes no representations or warranties to any person participating in or considering participation in the CIPTP.

All calculations have been made in conformity with generally accepted actuarial principles and practices commonly applicable to similar types of arrangements. There are currently no Actuarial Standards of Practice which specifically relate to prepaid tuition plans. We have looked to the Actuarial Standards of Practice related to pensions for guidance due to their similar nature.

Lance J. Weiss and Amy Williams are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Lance J. Weiss and Amy Williams are independent of ISAC.

Respectfully submitted,

Gabriel, Roeder, Smith and Company

Lance J. Weiss | Amy Williams

Lance J. Weiss, EA, MAAA, FCA
Senior Consultant and Team Leader

Amy Williams, ASA, MAAA, FCA
Consultant

Table of Contents

SECTION A
BACKGROUND

BACKGROUND

Purpose of Projections

In accordance with the request of the Illinois Student Assistance Commission ("ISAC"), Gabriel, Roeder, Smith & Company ("GRS") has performed projections of the College Illinois!® Prepaid Tuition Program ("Program" or "CIPTP") under alternative open group and closed group scenarios. The purpose of these projections is to provide additional information to ISAC regarding the range of potential outcomes of different future year contract sales scenarios.

Illustrative Open and Closed Group Scenarios

Please note that the open group scenarios included in this report (1) were specifically requested by ISAC, (2) are presented for illustrative purposes only and (3) do not consider how increases in contract prices can impact future sales. Because there are many factors that may impact the decision to purchase or not to purchase a prepaid tuition contract in Illinois, including but not limited to (1) increasingly unaffordable college tuition, (2) the extended state budget impasse, (3) uncertainty about the state's support and funding for higher education in Illinois, (4) contract prices, (5) the level of contribution premium over the expected costs, and (6) competing savings vehicles, etc., it is very difficult to assess the likelihood of selling a particular number of contracts. Therefore, GRS is unable to judge the reasonableness of these open group contract scenarios.

While the closing of the CIPTP has not occurred, we have also provided an alternate closed group projection assuming no new contract sales after June 30, 2016. Please note that this closed group scenario was specifically requested by ISAC and is also presented for illustrative purposes only.

Historical Number of Contracts Sold by Enrollment Year

The chart on page 16 in Section D of the June 30, 2016, Actuarial Soundness Valuation Report illustrates the number of contracts sold by enrollment year.

As this chart indicates, the number of contracts sold has decreased significantly during the last five enrollment years from the number sold per year in previous years.

- The average annual number of contracts sold beginning with the enrollment period 1999/2000 and ending with the enrollment period 2009/2010 was 5,235.
- The average annual number of contracts sold during the last six year period 2010/2011 to 2015/2016 was 577 including 2011/2012 when the plan was not open for new contract sales.
- The average annual number of contracts sold during the last six year period 2010/2011 to 2015/2016 was 692 excluding 2011/2012 when the plan was not open for new contract sales.

Projections Assumptions

The projection results summarized in this supplemental report involve actuarial calculations that require assumptions about future events. The major actuarial assumptions used in this analysis were provided by and are the responsibility of ISAC. We are unable to judge the reasonableness of some of these assumptions without performing a substantial amount of additional work beyond the scope of the assignment.

For purposes of this analysis, we used the actuarial soundness valuation results from the June 30, 2016, Actuarial Soundness Valuation, and unless noted differently, the same actuarial assumptions and methods as used for the June 30, 2016, Actuarial Soundness Valuation. The contract prices for future new contracts were based on the prices for the enrollment period from January 18, 2017, through May 31, 2017, and are assumed to increase each year by the tuition and fee increase assumption.

Given the current asset allocation and liquidity requirements, and assuming that a sufficient number of new contracts are sold in future years to maintain the current asset allocation, the net investment rate of return assumption of 6.75% appears to be consistent with applicable Actuarial Standards of Practice.

However, for those projection scenarios where the Trust assets are being depleted very quickly, it is likely that ISAC will need to change the Trust asset allocation to a high cash position and will no longer be able to consistently earn 6.75%. Further, for those projection scenarios where the Trust is completely exhausted, ISAC will need to rely totally on additional payments from the State of Illinois. For these scenarios, we have incorporated a “select and ultimate” approach to the investment return assumption (and also the related discount rate for the liabilities). Under this “select and ultimate” approach to the investment return assumption, we have assumed that the net investment return and discount rate grade down from 6.75% to 4.00% in yearly increments based on the number of years until the Trust is projected to run out of money to pay benefits. Implicit in this approach is the assumption that once the Trust is completely exhausted, and ISAC is relying on additional payments from the State of Illinois, the State will be making payments to the College Illinois!® Prepaid Tuition Program from the State Portfolio. (The State Portfolio has assets of approximately $12-$14 billion, and provides the necessary liquidity to meet the state’s daily obligations while investing remaining funds in authorized short/long-term investment opportunities.) Based on input from ISAC, we have assumed that underlying return on such assets in the State Portfolio is 4.0%.

Important Disclosure

This supplemental report is not a recommendation to anyone to participate or not participate in the CIPTP. GRS makes no representations or warranties to any person or persons participating in or considering participation in the CIPTP.

SECTION B

PROJECTION RESULTS

Discussion of Scenario Results

Scenario 1 – Closed Group -- Run-Off Scenario; Zero New Contracts Sold Per Year

While the closing of the Program has not occurred, we have provided the results of a closed group run-off projection scenario in Scenario 1. Under this illustrative closed group scenario, we have assumed that the program continues to operate but with no new contract sales after June 30, 2016. Under this scenario, future payments from current contract holders, current Trust assets and future investment income are projected to be insufficient by the year 2025 to make the required tuition payments and additional funds will be required to maintain solvency ($622.9 million for the period 2025 to 2052). The CIPTP funded status is projected to decrease from 74.5% in 2016 to 0.5% in 2025 when additional solvency contributions are required) and then decrease to 0.0% in 2030 and remain at 0.0% for the remaining years in the projection period.

Under this scenario, the Trust is projected to be completely exhausted in 2025. Therefore, we have incorporated a "select and ultimate" approach to the investment return assumption (and also the related discount rate for the liabilities). Under this "select and ultimate" approach to the investment return assumption, we have assumed that the net investment return and discount rate grade down from 6.75% in 2016 to 4.00% in 2025 in equal yearly increments of 0.345%.

Scenario 2 – Open Group -- 500 New Contracts Sold Per Year

Scenario 2 illustrates the results of an open group projection scenario assuming 500 new contracts are sold each year. Under this illustrative new contract sales assumption, member payments, fund principal and investment income future payments from contract holders, Trust assets and future investment income are projected to be insufficient to make the required tuition payments in year 2026 and additional funds will be required to maintain solvency ($386.5 million for the period 2026 to 2039). The CIPTP funded status is projected to decrease from 74.9% in 2016 to a low of 7.0% in 2026 (when additional solvency contributions are required) and then very slowly increase to only 20.9% in 2053.

Under this scenario, the Trust is projected to be completely exhausted in 2026. Therefore, we have incorporated a "select and ultimate" approach to the investment return assumption (and also the related discount rate for the liabilities). Under this "select and ultimate" approach to the investment return assumption, we have assumed that the net investment return and discount rate grade down from 6.75% in 2016 to 4.00% in 2026 in equal yearly increments of 0.306%.

Scenario 3 – Open Group -- 1,000 New Contracts Sold Per Year

Scenario 3 illustrates the results of an open group projection scenario assuming 1,000 new contracts are sold each year. Under this specific new contract sales assumption, future payments from contract holders, Trust assets and future investment income are projected to be sufficient to make the required tuition payments in all projection years. However, the funded ratio is projected to decrease from 79.4% in 2016 to a low of 19.2% in 2032 before slowly increasing to 64.1% in 2053.

Under this scenario, the Trust is not projected to be exhausted during the projection period. Therefore, assuming that ISAC is able to maintain the current asset allocation throughout the entire projection period, we have used a flat investment return (and discount rate) assumption of 6.75 percent for this projection scenario.

Scenario 4 – Open Group -- 1,500 New Contracts Sold Per Year

Scenario 4 illustrates the results of an open group projection scenario assuming 1,500 new contracts are sold each year. Under this illustrative new contract sales assumption, future payments from contract holders, Trust assets and future investment income are projected to be sufficient to make the required tuition payments in all projection years. However, the CIPTP funded status is projected to decrease from 79.4% in 2016 to a low of 57.3% in 2027 before increasing to 101.8% in 2042. After 2042, the CIPTP funded status is projected to continue to increase to 149.7% in 2053.

Under this scenario, the Trust is not projected to be exhausted during the projection period. Therefore, assuming that ISAC is able to maintain the current asset allocation throughout the entire projection period, we have used a flat investment return (and discount rate) assumption of 6.75 percent for this projection scenario.

Scenario 5 – Open Group -- 2,500 New Contracts Sold Per Year

Scenario 5 illustrates the results of an open group projection scenario assuming 2,500 new contracts are sold each year. Under this illustrative new contract sales assumption, future payments from contract holders, Trust assets and future investment income are projected to be sufficient to make the required tuition payments in all projection years. However, the CIPTP funded status is projected to decrease from 79.4% in 2016 to a low of 75.1% in 2020 and then increase to 103.3% in 2031. After 2031, the CIPTP funded status is projected to continue to increase to 221.5% in 2053.

Under this scenario, the Trust is not projected to be exhausted during the projection period. Therefore, assuming that ISAC is able to maintain the current asset allocation throughout the entire projection period, we have used a flat investment return (and discount rate) assumption of 6.75 percent for this projection scenario.

Scenario 6 – Open Group -- 5% Annual Contract Sales Growth From 500 Contracts Sold in FY17 to 2,500 Contracts Sold and Then Stable at 2,500 Contracts Per Year

Scenario 6 illustrates the results of an open group projection scenario assuming new contract sales starting with 500 new contracts sold in 2017 and then increasing by 5.0% each year to 2,500 sold in 2050 and each future year. Under this illustrative new contract sales assumption, future payments from contract holders, Trust assets and future investment income are projected to be insufficient to make the required tuition payments in years 2027 through 2031 and additional solvency contributions will be required to maintain solvency ($164.4 million for the period 2027 to 2031). The CIPTP funded status is projected to decrease very quickly from 79.4% in 2016 to a low of 11.3% in 2027 (and additional solvency contributions are required) and then increase to 128.2% in 2053.

Under this scenario, the Trust is projected to be completely exhausted in 2027. However, because additional solvency contributions are only required for five years before the funded status is projected to increase, we have used a flat investment return (and discount rate) assumption of 6.75 percent for this projection scenario. This assumes that ISAC is able to maintain the current asset allocation throughout most of the projection period.

Scenario 7 – Open Group -- 10% Annual Contract Sales Growth From 500 Contracts Sold in FY17 to 2,500 Contracts Sold and Then Stable at 2,500 Contracts Per Year

Scenario 7 illustrates the results of an open group projection scenario assuming new contract sales starting with 500 new contracts sold in 2017 and then increasing by 10.0% each year to 2,500 sold in 2034 and each future year. Under this illustrative new contract sales assumption, future payments from contract holders, Trust assets and future investment income are projected to be insufficient to make the required tuition payments in years 2028 and 2029 and additional solvency contributions will be required to maintain solvency ($25.3 million for the period 2028 to 2029). The CIPTP funded status is projected to decrease very quickly from 79.4% in 2016 to a low of 17.0% in 2028 (and additional solvency contributions are required) and then increase to 102.2% in 2042. After 2042, the CIPTP funded status is projected to continue to increase to 156.7% in 2053.

Under this scenario, the Trust is projected to be completely exhausted in 2028. However, because additional solvency contributions are only required for two years before the funded status is projected to increase, we have used a flat investment return (and discount rate) assumption of 6.75 percent for this projection scenario. This assumes that ISAC is able to maintain the current asset allocation throughout most of the projection period.

Scenario 8 – Open Group -- 15% Annual Contract Sales Growth From 500 Contracts Sold in FY17 to 2,500 Contracts Sold and Then Stable at 2,500 Contracts Per Year

Scenario 8 illustrates the results of an open group projection scenario assuming new contract sales starting with 500 new contracts sold in 2017 and then increasing by 15.0% each year to 2,500 sold in 2029 and each future year. Under this illustrative new contract sales assumption, future payments from contract holders, Trust assets and future investment income are projected to be sufficient to make the required tuition payments in in all projection years. However, the CIPTP funded ratio is projected to decrease from 79.4% in 2016 to a low of 34.1% in 2027 before slowly increasing to 102.1% in 2039. After 2039, the CIPTP funded status is projected to continue to increase to 172.4% in 2053.

Under this scenario, the Trust is not projected to be exhausted during the projection period. Therefore, assuming that ISAC is able to maintain the current asset allocation throughout the entire projection period, we have used a flat investment return (and discount rate) assumption of 6.75 percent for this projection scenario.

Summary Table

Scenario	Scenario Description	Discount Rate/Type	Tuition/Fee Increase	Year of Asset Depletion	Required Solvency Contributions	Funded Ratio 2016	Funded Ratio 2053	Funded Ratio Minimum	Funded Ratio Year Minimum	Funded Ratio Year 100%
1	Closed Group (Run Off)	Select and Ultimate	5.00%	2025	$ 622,926,368	74.5%	0.0%	0.0%	2030	NA
2	Open Group (500 New Contracts Per Year)	Select and Ultimate	5.00%	2026	$ 386,491,411	74.9%	20.9%	7.0%	2026	NA
3	Open Group (1,000 New Contracts Per Year)	6.75%	5.00%	NA	$ -	79.4%	64.1%	19.2%	2032	NA
4	Open Group (1,500 New Contracts Per Year)	6.75%	5.00%	NA	$ -	79.4%	149.7%	57.3%	2027	2042
5	Open Group (2,500 New Contracts Per Year)	6.75%	5.00%	NA	$ -	79.4%	221.5%	75.1%	2020	2031
6	Open Group (5% Annual Growth)*	6.75%	5.00%	2027	$ 164,374,115	79.4%	128.2%	11.3%	2027	2048
7	Open Group (10% Annual Growth)*	6.75%	5.00%	2028	$ 25,332,730	79.4%	156.7%	17.0%	2028	2042
8	Open Group (15% Annual Growth)*	6.75%	5.00%	NA	$ -	79.4%	172.4%	34.1%	2027	2039

**500 contracts assumed to be sold in FY 2017, with an annual increase in contract sales until a maximum of 2,500 contracts per year are sold annually.*

SECTION C

ALTERNATIVE SCENARIOS PROJECTION TABLES

Closed Group Projections
Scenario 1 — Run-Off Scenario
Projection Based on Data as of June 30, 2016
Assumed Net Investment Return and Discount Rates Graded Down from 6.75% to 4.00% in 0.345% Yearly Increments
Other Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2016
Zero New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2016			$ 26,712,224	$ -	$ 138,801,080	$ 6,327,364	$ 59,235,986	$ 966,205,198	$ 52,129,233	$ 1,018,334,431	$ 1,312,156,800	$ 54,241,529	$ 1,366,398,329	$ 348,063,898	74.5%
2017	6.750%	0	15,831,501	-	152,153,518	5,735,123	60,424,422	884,572,481	39,290,866	923,863,347	1,243,522,534	51,977,309	1,295,499,844	371,636,497	71.3%
2018	6.405%	0	11,107,691	-	153,397,046	5,907,176	51,910,873	788,286,822	30,349,551	818,636,373	1,164,936,805	49,213,038	1,214,149,844	395,513,471	67.4%
2019	6.060%	0	9,200,451	-	155,678,110	6,084,392	43,147,551	678,872,323	22,713,610	701,585,933	1,075,206,196	45,929,311	1,121,135,507	419,549,574	62.6%
2020	5.715%	0	6,988,429	-	158,275,074	6,266,923	34,295,460	555,614,215	16,826,344	572,440,559	973,919,282	42,110,658	1,016,029,940	443,589,381	56.3%
2021	5.370%	0	5,075,300	-	151,943,814	6,454,931	25,719,749	428,010,519	12,520,128	440,530,647	870,248,589	37,746,021	907,994,610	467,463,963	48.5%
2022	5.025%	0	4,549,089	-	141,121,708	6,648,579	17,909,096	302,698,417	8,487,281	311,185,698	769,354,647	32,829,181	802,183,828	490,998,130	38.8%
2023	4.680%	0	3,293,936	-	137,555,606	6,848,036	10,864,319	172,453,030	5,514,353	177,967,383	664,622,841	27,359,138	691,981,980	514,014,597	25.7%
2024	4.335%	0	2,176,197	-	129,961,017	6,102,014	4,573,842	43,140,038	3,530,534	46,670,572	560,686,203	22,312,285	582,998,488	536,327,916	8.0%
2025	4.000%	0	1,288,974	81,042,190	120,996,985	5,320,100	845,883	-	2,357,255	2,357,255	459,720,454	17,779,317	477,499,771	475,142,516	0.5%
2026	4.000%	0	878,358	110,249,474	106,610,448	4,517,384	-	-	1,555,792	1,555,792	369,387,521	13,883,644	383,271,165	381,715,373	0.4%
2027	4.000%	0	703,354	98,416,230	95,361,622	3,757,962	-	-	900,741	900,741	286,912,867	10,606,605	297,519,472	296,618,731	0.3%
2028	4.000%	0	460,203	81,114,557	78,556,677	3,018,083	-	-	467,453	467,453	218,276,976	7,953,016	226,229,992	225,762,539	0.2%
2029	4.000%	0	292,329	65,767,988	63,686,984	2,373,333	-	-	188,033	188,033	162,059,820	5,850,803	167,910,623	167,722,590	0.1%
2030	4.000%	0	163,560	51,183,470	49,526,703	1,820,326	-	-	28,756	28,756	118,034,688	4,228,459	122,263,146	122,234,390	0.0%
2031	4.000%	0	29,325	38,892,489	37,552,469	1,369,345	-	-	-	-	84,459,920	3,001,134	87,461,054	87,461,054	0.0%
2032	4.000%	0	-	28,698,209	27,686,272	1,011,936	-	-	-	-	59,603,749	2,089,203	61,692,951	61,692,951	0.0%
2033	4.000%	0	-	21,165,152	20,427,406	737,746	-	-	-	-	41,155,951	1,420,415	42,576,365	42,576,365	0.0%
2034	4.000%	0	-	15,402,412	14,876,151	526,262	-	-	-	-	27,631,432	940,548	28,571,980	28,571,980	0.0%
2035	4.000%	0	-	10,895,993	10,531,063	364,930	-	-	-	-	17,997,070	606,012	18,603,083	18,603,083	0.0%
2036	4.000%	0	-	7,423,754	7,178,330	245,424	-	-	-	-	11,396,465	379,968	11,776,433	11,776,433	0.0%
2037	4.000%	0	-	4,918,323	4,757,876	160,448	-	-	-	-	7,000,223	231,542	7,231,765	7,231,765	0.0%
2038	4.000%	0	-	3,184,733	3,083,005	101,727	-	-	-	-	4,136,171	137,062	4,273,233	4,273,233	0.0%
2039	4.000%	0	-	1,949,628	1,887,624	62,003	-	-	-	-	2,376,611	79,313	2,455,924	2,455,924	0.0%
2040	4.000%	0	-	1,112,411	1,075,673	36,738	-	-	-	-	1,374,700	45,020	1,419,720	1,419,720	0.0%
2041	4.000%	0	-	666,350	644,407	21,943	-	-	-	-	772,519	24,444	796,963	796,963	0.0%
2042	4.000%	0	-	403,868	391,127	12,741	-	-	-	-	404,547	12,428	416,975	416,975	0.0%
2043	4.000%	0	-	221,595	214,704	6,891	-	-	-	-	201,773	5,897	207,670	207,670	0.0%
2044	4.000%	0	-	130,741	127,188	3,553	-	-	-	-	80,137	2,510	82,647	82,647	0.0%
2045	4.000%	0	-	49,296	47,845	1,451	-	-	-	-	34,550	1,131	35,680	35,680	0.0%
2046	4.000%	0	-	19,951	19,307	644	-	-	-	-	16,242	519	16,762	16,762	0.0%
2047	4.000%	0	-	9,822	9,510	312	-	-	-	-	7,194	221	7,415	7,415	0.0%
2048	4.000%	0	-	4,613	4,470	143	-	-	-	-	2,923	84	3,007	3,007	0.0%
2049	4.000%	0	-	2,059	1,999	60	-	-	-	-	1,001	27	1,028	1,028	0.0%
2050	4.000%	0	-	796	775	21	-	-	-	-	251	6	257	257	0.0%
2051	4.000%	0	-	238	232	6	-	-	-	-	25	1	25	25	0.0%
2052	4.000%	0	-	26	25	1	-	-	-	-	-	-	-	-	0.0%
2053	4.000%	0	-	-	-	-	-	-	-	-	-	-	-	-	0.0%

[a] *Additional contributions in the amount of $622,926,368 are needed over the years 2025 through 2052 to pay all benefits due.*

Open Group Projections
Scenario 2 — Continuing Business Scenario
Projection Based on Data as of June 30, 2016
Assumed Net Investment Return and Discount Rates Graded Down from 6.75% to 4.00% in 0.306% Yearly Increments
Other Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2016
500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2016			$ 26,712,224	$ -	$ 138,801,080	$ 6,327,364	$ 59,235,986	$ 966,205,198	$ 52,028,315	$ 1,018,233,513	$ 1,304,897,425	$ 53,936,969	$ 1,358,834,394	$ 340,600,881	74.9%
2017	6.750%	500	15,831,501	-	152,153,518	5,735,123	60,424,422	884,572,481	46,049,944	930,622,425	1,247,061,460	61,462,966	1,308,524,426	377,902,001	71.1%
2018	6.444%	500	19,733,005	-	153,397,046	6,712,700	52,478,912	796,674,651	43,296,468	839,971,119	1,181,278,188	58,106,690	1,239,384,878	399,413,759	67.8%
2019	6.138%	500	19,745,179	-	155,678,110	6,914,082	44,515,915	698,343,554	41,081,665	739,425,219	1,106,378,698	54,180,832	1,160,559,531	421,134,312	63.7%
2020	5.832%	500	19,505,214	-	158,275,074	7,121,503	36,473,204	588,925,395	39,747,061	628,672,456	1,021,941,137	49,668,770	1,071,609,907	442,937,451	58.7%
2021	5.526%	500	19,627,520	-	151,943,814	7,335,149	28,685,448	477,959,400	39,017,811	516,977,211	936,816,257	44,821,766	981,638,023	464,660,812	52.7%
2022	5.220%	500	21,209,792	-	141,394,522	7,555,203	21,615,468	371,834,935	38,301,546	410,136,481	856,021,496	39,422,695	895,444,191	485,307,710	45.8%
2023	4.914%	500	21,337,751	-	138,166,670	7,781,859	15,210,282	262,434,439	38,429,911	300,864,350	772,616,061	45,168,056	817,784,116	516,919,766	36.8%
2024	4.608%	500	21,570,793	-	131,125,818	8,015,315	9,384,158	154,248,257	39,343,393	193,591,650	690,719,053	51,097,041	741,816,093	548,224,443	26.1%
2025	4.302%	500	22,037,053	-	123,077,594	8,255,775	4,284,796	49,236,737	40,874,295	90,111,032	611,974,671	56,971,750	668,946,421	578,835,389	13.5%
2026	4.000%	500	22,980,603	45,229,305	109,908,623	8,503,448	965,426	-	42,598,994	42,598,994	542,274,522	61,974,513	604,249,035	561,650,041	7.0%
2027	4.000%	500	24,147,573	84,741,105	100,130,127	8,758,551	-	-	44,430,520	44,430,520	480,520,708	66,627,131	547,147,839	502,717,319	8.1%
2028	4.000%	500	25,262,851	68,758,013	84,999,556	9,021,308	-	-	46,468,428	46,468,428	432,633,544	69,965,028	502,598,572	456,130,144	9.2%
2029	4.000%	500	26,489,146	54,717,065	71,914,264	9,291,947	-	-	48,665,873	48,665,873	397,101,285	72,260,261	469,361,546	420,695,673	10.4%
2030	4.000%	500	27,797,378	41,452,691	59,679,363	9,570,705	-	-	51,002,226	51,002,226	373,572,534	73,750,700	447,323,233	396,321,007	11.4%
2031	4.000%	500	29,154,807	30,505,738	49,802,718	9,857,827	-	-	53,522,144	53,522,144	360,435,457	74,568,782	435,004,239	381,482,095	12.3%
2032	4.000%	500	30,654,915	21,453,128	41,954,481	10,153,561	-	-	56,198,251	56,198,251	355,955,819	75,160,355	431,116,173	374,917,922	13.0%
2033	4.000%	500	32,187,661	15,042,026	36,771,518	10,458,169	-	-	59,008,164	59,008,164	357,928,924	75,788,519	433,717,442	374,709,278	13.6%
2034	4.000%	500	33,797,044	10,225,871	33,251,002	10,771,914	-	-	61,958,572	61,958,572	364,957,833	76,626,918	441,584,751	379,626,179	14.0%
2035	4.000%	500	35,486,896	6,523,878	30,915,703	11,095,071	-	-	65,056,500	65,056,500	375,813,072	78,044,908	453,857,981	388,801,481	14.3%
2036	4.000%	500	37,261,241	4,004,114	29,837,432	11,427,923	-	-	68,309,325	68,309,325	389,714,969	79,882,470	469,597,439	401,288,114	14.5%
2037	4.000%	500	39,124,303	2,330,443	29,683,986	11,770,761	-	-	71,724,792	71,724,792	406,045,010	81,884,362	487,929,372	416,204,580	14.7%
2038	4.000%	500	41,080,518	1,187,007	30,143,641	12,123,883	-	-	75,311,031	75,311,031	424,336,089	84,074,691	508,410,780	433,099,749	14.8%
2039	4.000%	500	43,134,544	321,027	30,967,970	12,487,600	-	-	79,076,583	79,076,583	444,343,062	86,386,390	530,729,452	451,652,869	14.9%
2040	4.000%	500	45,291,271	-	32,094,904	12,862,228	6,683	340,822	83,030,412	83,371,234	465,903,109	88,770,655	554,673,764	471,302,530	15.0%
2041	4.000%	500	47,555,834	-	33,531,487	13,248,095	29,158	1,146,232	87,181,932	88,328,164	488,802,743	91,531,334	580,334,077	492,005,913	15.2%
2042	4.000%	500	49,933,626	-	35,125,332	13,645,538	69,104	2,378,092	91,541,029	93,919,121	512,993,134	94,687,713	607,680,847	513,761,726	15.5%
2043	4.000%	500	52,430,307	-	36,812,661	14,054,904	126,379	4,067,213	96,118,080	100,185,293	538,503,579	98,103,578	636,607,157	536,421,864	15.7%
2044	4.000%	500	55,051,823	-	38,632,839	14,476,551	201,537	6,211,183	100,923,984	107,135,167	565,341,192	101,644,543	666,985,735	559,850,568	16.1%
2045	4.000%	500	57,804,414	-	40,520,926	14,910,848	295,900	8,879,723	105,970,184	114,849,907	593,582,406	105,221,394	698,803,799	583,953,892	16.4%
2046	4.000%	500	60,694,635	-	42,537,790	15,358,173	411,162	12,089,557	111,268,693	123,358,250	623,253,972	108,743,638	731,997,611	608,639,361	16.9%
2047	4.000%	500	63,729,366	-	44,665,895	15,818,918	548,473	15,882,583	116,832,128	132,714,711	654,413,150	112,169,614	766,582,764	633,868,053	17.3%
2048	4.000%	500	66,915,835	-	46,900,187	16,293,486	709,747	20,314,492	122,673,734	142,988,226	687,132,192	115,509,738	802,641,930	659,653,704	17.8%
2049	4.000%	500	70,261,626	-	49,246,010	16,782,290	897,246	25,445,064	128,807,421	154,252,485	721,488,067	118,801,236	840,289,303	686,036,818	18.4%
2050	4.000%	500	73,774,708	-	51,708,754	17,285,759	1,113,406	31,338,665	135,247,792	166,586,457	757,562,198	122,097,207	879,659,405	713,072,948	18.9%
2051	4.000%	500	77,463,443	-	54,294,452	17,804,332	1,360,840	38,064,164	142,010,181	180,074,345	795,440,236	125,461,118	920,901,353	740,827,008	19.6%
2052	4.000%	500	81,336,615	-	57,009,331	18,338,462	1,642,343	45,695,329	149,110,690	194,806,019	835,212,250	128,948,294	964,160,544	769,354,525	20.2%
2053	4.000%	500	85,403,446	-	59,859,914	18,888,616	1,960,911	54,311,156	156,566,225	210,877,381	876,972,862	132,605,922	1,009,578,784	798,701,403	20.9%

[a] *Additional contributions in the amount of $386,491,411 are needed over the years 2026 through 2039 to pay all benefits due.*

Open Group Projections
Scenario 3 — Continuing Business Scenario
Projection Based on Data as of June 30, 2016
6.75% Assumed Net Investment Return
Other Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2016
1,000 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2016			$ 26,712,224	$ -	$ 138,801,080	$ 6,327,364	$ 59,235,986	$ 966,205,198	$ 51,206,641	$ 1,017,411,839	$ 1,230,800,269	$ 50,926,306	$ 1,281,726,575	$ 264,314,736	79.4%
2017	6.750%	1,000	15,831,501	-	152,153,518	5,735,123	60,424,422	884,572,481	51,639,981	936,212,462	1,174,909,891	57,868,246	1,232,778,137	296,565,675	75.9%
2018	6.750%	1,000	28,358,320	-	153,397,046	6,712,700	55,262,032	808,083,086	54,574,801	862,657,887	1,114,873,873	54,428,997	1,169,302,870	306,644,983	73.8%
2019	6.750%	1,000	30,289,907	-	155,678,110	6,914,082	50,080,406	725,861,208	57,238,984	783,100,192	1,049,385,993	50,537,238	1,099,923,231	316,823,039	71.2%
2020	6.750%	1,000	32,022,000	-	158,275,074	7,121,503	44,494,240	636,980,871	59,879,986	696,860,857	977,799,731	46,155,814	1,023,955,545	327,094,688	68.1%
2021	6.750%	1,000	34,179,741	-	151,943,814	7,335,149	38,774,110	550,655,759	62,122,357	612,778,116	908,414,594	41,562,116	949,976,710	337,198,594	64.5%
2022	6.750%	1,000	37,870,495	-	141,667,337	7,555,203	33,411,132	472,714,846	64,095,305	536,810,151	845,936,656	36,465,883	882,402,539	345,592,388	60.8%
2023	6.750%	1,000	39,381,567	-	138,777,734	7,781,859	28,290,994	393,827,814	66,695,276	460,523,090	782,945,386	42,132,430	825,077,816	364,554,726	55.8%
2024	6.750%	1,000	40,965,388	-	132,290,620	8,015,315	23,230,634	317,717,901	69,916,445	387,634,346	722,878,367	47,965,388	770,843,755	383,209,409	50.3%
2025	6.750%	1,000	42,785,132	-	125,158,203	8,255,775	18,387,235	245,476,290	73,665,550	319,141,840	666,785,431	53,660,981	720,446,412	401,304,572	44.3%
2026	6.750%	1,000	45,082,847	-	113,206,797	8,503,448	13,983,475	182,832,367	77,620,591	260,452,958	620,079,194	58,347,101	678,426,295	417,973,337	38.4%
2027	6.750%	1,000	47,591,792	-	104,898,633	8,758,551	10,111,478	126,878,453	81,633,117	208,511,570	579,797,095	62,567,016	642,364,112	433,852,542	32.5%
2028	6.750%	1,000	50,065,500	-	91,442,436	9,021,308	6,863,355	83,343,564	85,824,404	169,167,968	551,956,708	65,368,762	617,325,470	448,157,502	27.4%
2029	6.750%	1,000	52,685,962	-	80,141,543	9,291,947	4,385,462	50,981,498	90,167,112	141,148,610	535,181,283	67,074,017	602,255,299	461,106,689	23.4%
2030	6.750%	1,000	55,431,197	-	69,832,023	9,570,705	2,632,212	29,642,178	94,651,330	124,293,508	529,206,863	68,018,854	597,225,717	472,932,209	20.8%
2031	6.750%	1,000	58,280,289	-	62,052,967	9,857,827	1,540,817	17,552,490	99,354,095	116,906,585	532,750,310	68,355,815	601,106,126	484,199,541	19.4%
2032	6.750%	1,000	61,309,830	-	56,222,690	10,153,561	1,013,801	13,499,869	104,321,799	117,821,668	544,242,291	68,590,008	612,832,298	495,010,630	19.2%
2033	6.750%	1,000	64,375,321	-	53,115,631	10,458,169	938,293	15,239,683	109,537,889	124,777,572	561,709,029	68,970,394	630,679,423	505,901,851	19.8%
2034	6.750%	1,000	67,594,087	-	51,625,852	10,771,914	1,204,054	21,640,059	115,014,784	136,654,843	583,927,585	69,650,287	653,577,872	516,923,029	20.9%
2035	6.750%	1,000	70,973,792	-	51,300,343	11,095,071	1,750,224	31,968,661	120,765,523	152,734,184	609,525,088	71,036,114	680,561,203	527,827,019	22.4%
2036	6.750%	1,000	74,522,481	-	52,496,534	11,427,923	2,515,568	45,082,253	126,803,799	171,886,052	637,824,213	72,917,411	710,741,624	538,855,572	24.2%
2037	6.750%	1,000	78,248,605	-	54,610,096	11,770,761	3,443,589	60,393,591	133,143,989	193,537,580	668,427,564	74,935,316	743,362,880	549,825,300	26.0%
2038	6.750%	1,000	82,161,035	-	57,204,277	12,123,883	4,509,677	77,736,142	139,801,189	217,537,331	701,072,794	77,090,887	778,163,681	560,626,350	28.0%
2039	6.750%	1,000	86,269,087	-	60,048,317	12,487,600	5,710,684	97,179,995	146,791,248	243,971,243	735,690,301	79,288,403	814,978,704	571,007,461	29.9%
2040	6.750%	1,000	90,582,542	-	63,114,136	12,862,228	7,052,608	118,838,781	154,130,811	272,969,592	772,290,851	81,468,919	853,759,770	580,790,178	32.0%
2041	6.750%	1,000	95,111,669	-	66,418,567	13,248,095	8,542,887	142,826,675	161,837,351	304,664,026	810,791,158	84,033,823	894,824,980	590,160,954	34.0%
2042	6.750%	1,000	99,867,252	-	69,859,537	13,645,538	10,193,024	169,381,876	169,929,219	339,311,095	851,241,228	87,030,544	938,271,772	598,960,677	36.2%
2043	6.750%	1,000	104,860,615	-	73,410,619	14,054,904	12,020,361	198,797,329	178,425,680	377,223,009	893,749,490	90,299,322	984,048,811	606,825,802	38.3%
2044	6.750%	1,000	110,103,645	-	77,138,491	14,476,551	14,042,810	231,328,742	187,346,964	418,675,706	938,393,951	93,668,753	1,032,062,704	613,386,998	40.6%
2045	6.750%	1,000	115,608,828	-	80,994,008	14,910,848	16,279,699	267,312,413	196,714,312	464,026,725	985,311,343	97,037,091	1,082,348,434	618,321,709	42.9%
2046	6.750%	1,000	121,389,269	-	85,056,273	15,358,173	18,751,488	307,038,724	206,550,027	513,588,751	1,034,581,654	100,291,998	1,134,873,652	621,284,901	45.3%
2047	6.750%	1,000	127,458,733	-	89,322,280	15,818,918	21,478,331	350,834,590	216,877,529	567,712,119	1,086,313,462	103,386,438	1,189,699,900	621,987,781	47.7%
2048	6.750%	1,000	133,831,669	-	93,795,904	16,293,486	24,482,637	399,059,506	227,721,405	626,780,911	1,140,630,493	106,346,301	1,246,976,794	620,195,883	50.3%
2049	6.750%	1,000	140,523,253	-	98,490,022	16,782,290	27,788,736	452,099,183	239,107,475	691,206,658	1,197,662,601	109,230,577	1,306,893,178	615,686,520	52.9%
2050	6.750%	1,000	147,549,415	-	103,416,733	17,285,759	31,422,778	510,368,884	251,062,849	761,431,733	1,257,545,980	112,116,107	1,369,662,087	608,230,354	55.6%
2051	6.750%	1,000	154,926,886	-	108,588,672	17,804,332	35,412,918	574,315,684	263,615,992	837,931,676	1,320,423,372	115,088,439	1,435,511,811	597,580,135	58.4%
2052	6.750%	1,000	162,673,230	-	114,018,637	18,338,462	39,789,478	644,421,293	276,796,791	921,218,084	1,386,444,570	118,215,138	1,504,659,708	583,441,624	61.2%
2053	6.750%	1,000	170,806,892	-	119,719,828	18,888,616	44,585,135	721,204,876	290,636,631	1,011,841,507	1,455,766,799	121,551,041	1,577,317,840	565,476,333	64.1%

Open Group Projections
Scenario 4 — Continuing Business Scenario
Projection Based on Data as of June 30, 2016
6.75% Assumed Net Investment Return
Other Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2016
1,500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2016			$ 26,712,224	$ -	$ 138,801,080	$ 6,327,364	$ 59,235,986	$ 966,205,198	$ 51,206,641	$ 1,017,411,839	$ 1,230,800,269	$ 50,926,306	$ 1,281,726,575	$ 264,314,736	79.4%
2017	6.750%	1,500	15,831,501	-	152,153,518	5,735,123	60,424,422	884,572,481	58,306,971	942,879,452	1,184,027,618	57,868,246	1,241,895,864	299,016,412	75.9%
2018	6.750%	1,500	36,983,634	-	153,397,046	6,712,700	55,553,136	816,999,504	67,154,602	884,154,106	1,134,180,660	54,428,997	1,188,609,657	304,455,551	74.4%
2019	6.750%	1,500	40,834,634	-	155,678,110	6,914,082	51,038,149	746,280,096	74,911,060	821,191,156	1,080,048,282	50,537,238	1,130,585,520	309,394,364	72.6%
2020	6.750%	1,500	44,538,785	-	158,275,074	7,121,503	46,294,956	671,717,260	81,743,831	753,461,091	1,021,086,632	46,155,814	1,067,242,446	313,781,355	70.6%
2021	6.750%	1,500	48,731,961	-	151,943,814	7,335,149	41,609,954	602,780,212	87,184,146	689,964,358	965,424,144	41,562,116	1,006,986,260	317,021,902	68.5%
2022	6.750%	1,500	54,531,198	-	141,940,151	7,555,203	37,482,624	545,298,680	92,088,667	637,387,347	917,799,787	36,465,883	954,265,670	316,878,323	66.8%
2023	6.750%	1,500	57,425,382	-	139,388,798	7,781,859	33,778,758	489,332,163	97,416,603	586,748,766	870,674,433	42,132,430	912,806,863	326,058,097	64.3%
2024	6.750%	1,500	60,359,984	-	133,455,421	8,015,315	30,292,433	438,513,844	103,195,303	541,709,147	827,208,999	47,965,388	875,174,387	333,465,240	61.9%
2025	6.750%	1,500	63,533,211	-	127,238,812	8,255,775	27,170,988	393,723,456	109,371,487	503,094,943	788,221,746	53,660,981	841,882,727	338,787,784	59.8%
2026	6.750%	1,500	67,185,092	-	116,504,972	8,503,448	24,624,796	360,524,924	115,681,746	476,206,670	758,930,231	58,347,101	817,277,332	341,070,662	58.3%
2027	6.750%	1,500	71,036,010	-	109,667,138	8,758,551	22,736,031	335,871,276	122,013,321	457,884,597	736,215,618	62,567,016	798,782,635	340,898,038	57.3%
2028	6.750%	1,500	74,868,148	-	97,885,315	9,021,308	21,590,013	325,422,814	128,508,538	453,931,352	726,027,472	65,368,762	791,396,234	337,464,882	57.4%
2029	6.750%	1,500	78,882,779	-	88,368,823	9,291,947	21,332,283	327,977,106	135,158,222	463,135,328	726,886,234	67,074,017	793,960,250	330,824,922	58.3%
2030	6.750%	1,500	83,065,015	-	79,984,683	9,570,705	21,919,405	343,406,137	141,962,804	485,368,941	738,387,789	68,018,854	806,406,643	321,037,702	60.2%
2031	6.750%	1,500	87,405,770	-	74,303,216	9,857,827	23,289,424	369,940,288	149,031,142	518,971,430	759,361,526	68,355,815	827,717,342	308,745,912	62.7%
2032	6.750%	1,500	91,964,744	-	70,490,899	10,153,561	25,353,029	406,613,600	156,482,699	563,096,299	788,218,143	68,590,008	856,808,150	293,711,851	65.7%
2033	6.750%	1,500	96,562,982	-	69,459,743	10,458,169	28,008,189	451,266,859	164,306,834	615,573,693	823,071,230	68,970,394	892,041,624	276,467,931	69.0%
2034	6.750%	1,500	101,391,131	-	70,000,703	10,771,914	31,156,388	503,041,762	172,522,176	675,563,938	862,768,344	69,650,287	932,418,631	256,854,693	72.5%
2035	6.750%	1,500	106,460,687	-	71,684,983	11,095,071	34,754,540	561,476,935	181,148,285	742,625,220	905,719,135	71,036,114	976,755,250	234,130,030	76.0%
2036	6.750%	1,500	111,783,722	-	75,155,636	11,427,923	38,750,199	625,427,297	190,205,699	815,632,996	951,297,771	72,917,411	1,024,215,182	208,582,186	79.6%
2037	6.750%	1,500	117,372,908	-	79,536,205	11,770,761	43,096,068	694,589,308	199,715,984	894,305,292	999,293,611	74,935,316	1,074,228,927	179,923,635	83.3%
2038	6.750%	1,500	123,241,553	-	84,264,913	12,123,883	47,791,059	769,233,123	209,701,783	978,934,906	1,049,628,163	77,090,887	1,126,719,050	147,784,144	86.9%
2039	6.750%	1,500	129,403,631	-	89,128,663	12,487,600	52,861,059	849,881,549	220,186,872	1,070,068,421	1,102,395,850	79,288,403	1,181,684,253	111,615,832	90.6%
2040	6.750%	1,500	135,873,812	-	94,133,367	12,862,228	58,341,644	937,101,410	231,196,216	1,168,297,626	1,157,775,443	81,468,919	1,239,244,362	70,946,736	94.3%
2041	6.750%	1,500	142,667,503	-	99,305,647	13,248,095	64,270,685	1,031,485,856	242,756,027	1,274,241,883	1,215,814,198	84,033,823	1,299,848,020	25,606,137	98.0%
2042	6.750%	1,500	149,800,878	-	104,593,742	13,645,538	70,690,499	1,133,737,953	254,893,828	1,388,631,781	1,276,666,213	87,030,544	1,363,696,757	(24,935,024)	101.8%
2043	6.750%	1,500	157,290,922	-	110,008,576	14,054,904	77,648,738	1,244,614,133	267,638,519	1,512,252,652	1,340,526,317	90,299,322	1,430,825,638	(81,427,014)	105.7%
2044	6.750%	1,500	165,155,468	-	115,644,142	14,476,551	85,193,878	1,364,842,786	281,020,445	1,645,863,231	1,407,552,105	93,668,753	1,501,220,858	(144,642,373)	109.6%
2045	6.750%	1,500	173,413,242	-	121,467,089	14,910,848	93,376,830	1,495,254,921	295,071,468	1,790,326,389	1,477,950,289	97,037,091	1,574,987,380	(215,339,009)	113.7%
2046	6.750%	1,500	182,083,904	-	127,574,755	15,358,173	102,251,053	1,636,656,950	309,825,041	1,946,481,991	1,551,864,600	100,291,998	1,652,156,598	(294,325,393)	117.8%
2047	6.750%	1,500	191,188,099	-	133,978,666	15,818,918	111,871,274	1,789,918,739	325,316,293	2,115,235,032	1,629,466,693	103,386,438	1,732,853,131	(382,381,901)	122.1%
2048	6.750%	1,500	200,747,504	-	140,691,621	16,293,486	122,296,496	1,955,977,632	341,582,108	2,297,559,740	1,710,944,312	106,346,301	1,817,290,613	(480,269,127)	126.4%
2049	6.750%	1,500	210,784,879	-	147,734,033	16,782,290	133,590,054	2,135,836,242	358,661,213	2,494,497,455	1,796,493,410	109,230,577	1,905,723,987	(588,773,468)	130.9%
2050	6.750%	1,500	221,324,123	-	155,124,712	17,285,759	145,819,782	2,330,569,676	376,594,274	2,707,163,950	1,886,318,847	112,116,107	1,998,434,954	(708,728,996)	135.5%
2051	6.750%	1,500	232,390,329	-	162,882,892	17,804,332	159,058,433	2,541,331,214	395,423,987	2,936,755,201	1,980,635,045	115,088,439	2,095,723,484	(841,031,717)	140.1%
2052	6.750%	1,500	244,009,845	-	171,027,944	18,338,462	173,384,073	2,769,358,726	415,195,187	3,184,553,913	2,079,666,856	118,215,138	2,197,881,994	(986,671,919)	144.9%
2053	6.750%	1,500	256,210,338	-	179,579,742	18,888,616	188,880,506	3,015,981,212	435,954,946	3,451,936,158	2,183,650,198	121,551,041	2,305,201,239	(1,146,734,919)	149.7%

Open Group Projections
Scenario 5 — Continuing Business Scenario
Projection Based on Data as of June 30, 2016
6.75% Assumed Net Investment Return
Other Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2016
2,500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2016			$ 26,712,224	$ -	$ 138,801,080	$ 6,327,364	$ 59,235,986	$ 966,205,198	$ 51,206,641	$ 1,017,411,839	$ 1,230,800,269	$ 50,926,306	$ 1,281,726,575	$ 264,314,736	79.4%
2017	6.750%	2,500	15,831,501	-	152,153,518	5,735,123	60,424,422	884,572,481	71,640,953	956,213,434	1,202,263,071	57,868,246	1,260,131,317	303,917,883	75.9%
2018	6.750%	2,500	54,234,263	-	153,397,046	6,712,700	56,135,345	834,832,342	92,314,203	927,146,545	1,172,794,234	54,428,997	1,227,223,231	300,076,686	75.5%
2019	6.750%	2,500	61,924,090	-	155,678,110	6,914,082	52,953,635	787,117,876	110,255,214	897,373,090	1,141,372,860	50,537,238	1,191,910,098	294,537,008	75.3%
2020	6.750%	2,500	69,572,355	-	158,275,074	7,121,503	49,896,389	741,190,043	125,471,523	866,661,566	1,107,660,436	46,155,814	1,153,816,250	287,154,684	75.1%
2021	6.750%	2,500	77,836,401	-	151,943,814	7,335,149	47,281,641	707,029,122	137,307,724	844,336,846	1,079,443,245	41,562,116	1,121,005,361	276,668,515	75.3%
2022	6.750%	2,500	87,852,605	-	142,485,780	7,555,203	45,625,608	690,466,352	148,075,389	838,541,741	1,061,526,049	36,465,883	1,097,991,932	259,450,191	76.4%
2023	6.750%	2,500	93,513,013	-	140,610,926	7,781,859	44,754,286	680,340,866	158,859,258	839,200,124	1,046,132,526	42,132,430	1,088,264,956	249,064,832	77.1%
2024	6.750%	2,500	99,149,175	-	135,785,024	8,015,315	44,416,032	680,105,734	169,753,020	849,858,754	1,035,870,262	47,965,388	1,083,835,650	233,976,896	78.4%
2025	6.750%	2,500	105,029,369	-	131,400,030	8,255,775	44,738,495	690,217,793	180,783,360	871,001,153	1,031,094,374	53,660,981	1,084,755,355	213,754,202	80.3%
2026	6.750%	2,500	111,389,581	-	123,101,321	8,503,448	45,907,438	715,910,043	191,804,056	907,714,099	1,036,632,307	58,347,101	1,094,979,408	187,265,309	82.9%
2027	6.750%	2,500	117,924,448	-	119,204,149	8,758,551	47,985,137	753,856,928	202,773,727	956,630,655	1,049,052,665	62,567,016	1,111,619,682	154,989,027	86.1%
2028	6.750%	2,500	124,473,444	-	110,771,074	9,021,308	51,043,328	809,581,318	213,876,805	1,023,458,123	1,074,169,001	65,368,762	1,139,537,763	116,079,640	89.8%
2029	6.750%	2,500	131,276,412	-	104,823,382	9,291,947	55,225,926	881,968,327	225,140,442	1,107,108,769	1,110,296,136	67,074,017	1,177,370,152	70,261,383	94.0%
2030	6.750%	2,500	138,332,652	-	100,290,003	9,570,705	60,493,790	970,934,060	236,585,751	1,207,519,811	1,156,749,639	68,018,854	1,224,768,493	17,248,682	98.6%
2031	6.750%	2,500	145,656,734	-	98,803,714	9,857,827	66,786,637	1,074,715,890	248,385,237	1,323,101,127	1,212,583,956	68,355,815	1,280,939,772	(42,161,355)	103.3%
2032	6.750%	2,500	153,274,574	-	99,027,317	10,153,561	74,031,485	1,192,841,070	260,804,499	1,453,645,569	1,276,169,848	68,590,008	1,344,759,855	(108,885,714)	108.1%
2033	6.750%	2,500	160,938,303	-	102,147,968	10,458,169	82,147,983	1,323,321,219	273,844,724	1,597,165,943	1,345,795,632	68,970,394	1,414,766,026	(182,399,917)	112.9%
2034	6.750%	2,500	168,985,218	-	106,750,404	10,771,914	91,061,055	1,465,845,175	287,536,960	1,753,382,135	1,420,449,861	69,650,287	1,490,100,148	(263,281,987)	117.7%
2035	6.750%	2,500	177,434,479	-	112,454,262	11,095,071	100,763,173	1,620,493,494	301,913,808	1,922,407,302	1,498,107,230	71,036,114	1,569,143,345	(353,263,957)	122.5%
2036	6.750%	2,500	186,306,203	-	120,473,840	11,427,923	111,219,461	1,786,117,395	317,009,498	2,103,126,893	1,578,244,887	72,917,411	1,651,162,298	(451,964,595)	127.4%
2037	6.750%	2,500	195,621,513	-	129,388,425	11,770,761	122,401,028	1,962,980,751	332,859,973	2,295,840,724	1,661,025,706	74,935,316	1,735,961,022	(559,879,702)	132.3%
2038	6.750%	2,500	205,402,589	-	138,386,184	12,123,883	134,353,823	2,152,227,095	349,502,972	2,501,730,067	1,746,738,902	77,090,887	1,823,829,789	(677,900,278)	137.2%
2039	6.750%	2,500	215,672,718	-	147,289,355	12,487,600	147,161,811	2,355,284,668	366,978,120	2,722,262,788	1,835,806,947	79,288,403	1,915,095,350	(807,167,438)	142.1%
2040	6.750%	2,500	226,456,354	-	156,171,830	12,862,228	160,919,718	2,573,626,682	385,327,026	2,958,953,708	1,928,744,628	81,468,919	2,010,213,547	(948,740,161)	147.2%
2041	6.750%	2,500	237,779,172	-	165,079,807	13,248,095	175,726,281	2,808,804,233	404,593,378	3,213,397,611	2,025,860,277	84,033,823	2,109,894,099	(1,103,503,512)	152.3%
2042	6.750%	2,500	249,668,130	-	174,062,153	13,645,538	191,685,451	3,062,450,123	424,823,047	3,487,273,170	2,127,516,182	87,030,544	2,214,546,726	(1,272,726,444)	157.5%
2043	6.750%	2,500	262,151,537	-	183,204,490	14,054,904	208,905,493	3,336,247,759	446,064,199	3,782,311,958	2,234,079,970	90,299,322	2,324,379,291	(1,457,932,667)	162.7%
2044	6.750%	2,500	275,259,113	-	192,655,445	14,476,551	227,496,014	3,631,870,890	468,367,409	4,100,238,299	2,345,868,412	93,668,753	2,439,537,165	(1,660,701,134)	168.1%
2045	6.750%	2,500	289,022,069	-	202,413,252	14,910,848	247,571,092	3,951,139,951	491,785,779	4,442,925,730	2,463,228,180	97,037,091	2,560,265,271	(1,882,660,459)	173.5%
2046	6.750%	2,500	303,473,173	-	212,611,721	15,358,173	269,250,182	4,295,893,412	516,375,068	4,812,268,480	2,586,430,491	100,291,998	2,686,722,489	(2,125,545,991)	179.1%
2047	6.750%	2,500	318,646,831	-	223,291,436	15,818,918	292,657,161	4,668,087,050	542,193,822	5,210,280,872	2,715,773,154	103,386,438	2,819,159,592	(2,391,121,280)	184.8%
2048	6.750%	2,500	334,579,173	-	234,483,056	16,293,486	317,924,215	5,069,813,896	569,303,513	5,639,117,409	2,851,571,951	106,346,301	2,957,918,252	(2,681,199,157)	190.6%
2049	6.750%	2,500	351,308,131	-	246,222,056	16,782,290	345,192,691	5,503,310,372	597,768,688	6,101,079,060	2,994,155,028	109,230,577	3,103,385,605	(2,997,693,455)	196.6%
2050	6.750%	2,500	368,873,538	-	258,540,671	17,285,759	374,613,790	5,970,971,270	627,657,123	6,598,628,393	3,143,864,580	112,116,107	3,255,980,687	(3,342,647,706)	202.7%
2051	6.750%	2,500	387,317,215	-	271,471,331	17,804,332	406,349,463	6,475,362,285	659,039,979	7,134,402,264	3,301,058,393	115,088,439	3,416,146,832	(3,718,255,432)	208.8%
2052	6.750%	2,500	406,683,076	-	285,046,556	18,338,462	440,573,264	7,019,233,607	691,991,978	7,711,225,585	3,466,111,426	118,215,138	3,584,326,564	(4,126,899,021)	215.1%
2053	6.750%	2,500	427,017,229	-	299,299,570	18,888,616	477,471,249	7,605,533,899	726,591,577	8,332,125,476	3,639,416,997	121,551,041	3,760,968,038	(4,571,157,438)	221.5%

Open Group Projections
Scenario 6 — Continuing Business Scenario
Projection Based on Data as of June 30, 2016
6.75% Assumed Net Investment Return
Other Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2016
5% Annual Sales Growth from 500 Contracts Sold in FY 2017 to 2,500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2016			$ 26,712,224	$ -	$ 138,801,080	$ 6,327,364	$ 59,235,986	$ 966,205,198	$ 51,206,641	$ 1,017,411,839	$ 1,230,800,269	$ 50,926,306	$ 1,281,726,575	$ 264,314,736	79.4%
2017	6.750%	500	15,831,501	-	152,153,518	5,735,123	60,424,422	884,572,481	44,972,990	929,545,471	1,165,792,164	57,868,246	1,223,660,410	294,114,939	76.0%
2018	6.750%	525	19,733,005	-	153,397,046	6,712,700	54,970,927	799,166,666	42,345,018	841,511,684	1,096,045,767	54,428,997	1,150,474,764	308,963,080	73.1%
2019	6.750%	551	20,198,008	-	155,678,110	6,914,082	49,137,946	705,910,429	40,613,240	746,523,669	1,020,265,056	50,537,238	1,070,802,294	324,278,625	69.7%
2020	6.750%	579	20,558,056	-	158,275,074	7,121,503	42,760,654	603,832,562	40,097,506	643,930,068	937,821,939	46,155,814	983,977,753	340,047,685	65.4%
2021	6.750%	608	21,445,410	-	151,943,814	7,335,149	36,106,816	502,105,825	40,503,127	542,608,952	857,325,901	41,562,116	898,888,017	356,279,065	60.4%
2022	6.750%	638	23,978,007	-	141,394,522	7,555,203	29,674,348	406,808,455	41,213,109	448,021,564	783,594,271	36,465,883	820,060,154	372,038,590	54.6%
2023	6.750%	670	25,264,395	-	138,180,993	7,781,859	23,385,998	309,495,996	43,078,659	352,574,655	709,485,775	42,132,430	751,618,205	399,043,550	46.9%
2024	6.750%	704	26,847,218	-	131,173,690	8,015,315	17,099,444	214,253,653	46,083,400	260,337,053	638,885,564	47,965,388	686,850,952	426,513,899	37.9%
2025	6.750%	739	28,872,528	-	123,191,525	8,255,775	11,000,223	122,679,104	50,120,762	172,799,866	573,248,932	53,660,981	626,909,913	454,110,047	27.6%
2026	6.750%	776	31,605,988	-	110,143,463	8,503,448	5,343,208	40,981,389	54,841,664	95,823,053	518,363,108	58,347,101	576,710,209	480,887,156	16.6%
2027	6.750%	814	34,817,428	32,183,962	100,562,193	8,758,551	1,337,966	1	60,099,782	60,099,783	471,609,536	62,567,016	534,176,553	474,076,770	11.3%
2028	6.750%	855	38,257,188	56,490,375	85,726,256	9,021,308	-	-	66,038,902	66,038,902	439,272,554	65,368,762	504,641,316	438,602,414	13.1%
2029	6.750%	898	42,117,541	40,228,106	73,053,700	9,291,947	-	-	72,662,661	72,662,661	420,293,785	67,074,017	487,367,801	414,705,140	14.9%
2030	6.750%	943	46,403,017	24,535,213	61,367,524	9,570,705	-	-	80,005,931	80,005,931	414,781,690	68,018,854	482,800,544	402,794,613	16.6%
2031	6.750%	990	51,118,299	10,936,459	52,196,931	9,857,827	-	-	88,175,247	88,175,247	421,589,310	68,355,815	489,945,126	401,769,879	18.0%
2032	6.750%	1,039	56,398,753	-	45,237,238	10,153,561	34,018	1,041,971	97,213,210	98,255,181	439,447,389	68,590,008	508,037,396	409,782,215	19.3%
2033	6.750%	1,091	62,179,625	-	41,139,839	10,458,169	427,463	12,051,051	107,177,564	119,228,615	466,602,558	68,970,394	535,572,952	416,344,337	22.3%
2034	6.750%	1,146	68,553,037	-	38,925,141	10,771,914	1,449,835	32,356,869	118,163,264	150,520,133	502,105,284	69,650,287	571,755,571	421,235,438	26.3%
2035	6.750%	1,203	75,579,723	-	38,136,122	11,095,071	3,073,352	61,778,751	130,274,998	192,053,749	545,183,031	71,036,114	616,219,146	424,165,397	31.2%
2036	6.750%	1,263	83,326,645	-	38,868,137	11,427,923	5,284,848	100,094,184	143,628,186	243,722,370	595,517,662	72,917,411	668,435,073	424,712,703	36.5%
2037	6.750%	1,327	91,867,626	-	40,829,941	11,770,761	8,081,616	147,442,725	158,350,075	305,792,800	652,980,504	74,935,316	727,915,820	422,123,020	42.0%
2038	6.750%	1,393	101,284,057	-	43,740,678	12,123,883	11,485,292	204,347,512	174,580,957	378,928,469	717,637,325	77,090,887	794,728,212	415,799,743	47.7%
2039	6.750%	1,463	111,665,673	-	47,379,387	12,487,600	15,541,663	271,687,860	192,475,506	464,163,366	789,828,599	79,288,403	869,117,002	404,953,636	53.4%
2040	6.750%	1,536	123,111,405	-	51,715,209	12,862,228	20,314,452	350,536,280	212,204,245	562,740,525	870,038,641	81,468,919	951,507,560	388,767,035	59.1%
2041	6.750%	1,613	135,730,324	-	56,791,383	13,248,095	25,878,265	442,105,391	233,955,180	676,060,571	958,769,761	84,033,823	1,042,803,583	366,743,012	64.8%
2042	6.750%	1,693	149,642,682	-	62,495,939	13,645,538	32,322,780	547,929,376	257,935,586	805,864,962	1,056,764,264	87,030,544	1,143,794,808	337,929,846	70.5%
2043	6.750%	1,778	164,981,057	-	68,812,301	14,054,904	39,756,575	669,799,803	284,373,984	954,173,787	1,164,927,668	90,299,322	1,255,226,989	301,053,202	76.0%
2044	6.750%	1,867	181,891,615	-	75,833,835	14,476,551	48,302,353	809,683,385	313,522,317	1,123,205,702	1,284,236,974	93,668,753	1,377,905,727	254,700,025	81.5%
2045	6.750%	1,960	200,535,506	-	83,556,570	14,910,848	58,098,426	969,849,899	345,658,354	1,315,508,253	1,415,841,997	97,037,091	1,512,879,088	197,370,835	87.0%
2046	6.750%	2,058	221,090,395	-	92,109,424	15,358,173	69,299,638	1,152,772,335	381,088,336	1,533,860,671	1,560,956,736	100,291,998	1,661,248,734	127,388,063	92.3%
2047	6.750%	2,161	243,752,161	-	101,550,842	15,818,918	82,077,539	1,361,232,275	420,149,890	1,781,382,165	1,720,950,562	103,386,438	1,824,337,000	42,954,835	97.6%
2048	6.750%	2,269	268,736,757	-	111,960,302	16,293,486	96,624,479	1,598,339,723	463,215,254	2,061,554,977	1,897,346,058	106,346,301	2,003,692,359	(57,862,618)	102.9%
2049	6.750%	2,382	296,282,275	-	123,436,812	16,782,290	113,155,063	1,867,557,959	510,694,817	2,378,252,776	2,091,823,163	109,230,577	2,201,053,740	(177,199,036)	108.1%
2050	6.750%	2,500	326,651,208	-	136,089,423	17,285,759	131,908,228	2,172,742,213	562,934,678	2,735,676,891	2,306,089,264	112,116,107	2,418,205,371	(317,471,520)	113.1%
2051	6.750%	2,500	359,995,358	-	150,038,809	17,804,332	153,145,237	2,518,039,667	611,790,469	3,129,830,136	2,530,333,409	115,088,439	2,645,421,848	(484,408,288)	118.3%
2052	6.750%	2,500	385,543,197	-	165,417,931	18,338,462	176,777,982	2,896,604,453	657,906,272	3,554,510,725	2,764,170,515	118,215,138	2,882,385,653	(672,125,072)	123.3%
2053	6.750%	2,500	411,189,545	-	182,373,384	18,888,616	202,605,855	3,309,137,853	702,079,498	4,011,217,351	3,007,051,133	121,551,041	3,128,602,174	(882,615,177)	128.2%

[a] *Additional contributions in the amount of $164,374,115 are needed over the years 2027 through 2031 to pay all benefits due.*

Open Group Projections
Scenario 7— Continuing Business Scenario
Projection Based on Data as of June 30, 2016
6.75% Assumed Net Investment Return
Other Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2016
10% Annual Sales Growth from 500 Contracts Sold in FY 2017 to 2,500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2016			$ 26,712,224	$ -	$ 138,801,080	$ 6,327,364	$ 59,235,986	$ 966,205,198	$ 51,206,641	$ 1,017,411,839	$ 1,230,800,269	$ 50,926,306	$ 1,281,726,575	$ 264,314,736	79.4%
2017	6.750%	500	15,831,501	-	152,153,518	5,735,123	60,424,422	884,572,481	44,972,990	929,545,471	1,165,792,164	57,868,246	1,223,660,410	294,114,939	76.0%
2018	6.750%	550	19,733,005	-	153,397,046	6,712,700	54,970,927	799,166,666	42,695,035	841,861,701	1,096,524,448	54,428,997	1,150,953,445	309,091,744	73.1%
2019	6.750%	605	20,650,837	-	155,678,110	6,914,082	49,153,229	706,378,541	41,696,325	748,074,866	1,021,856,670	50,537,238	1,072,393,908	324,319,042	69.8%
2020	6.750%	666	21,658,446	-	158,275,074	7,121,503	42,829,390	605,469,800	42,331,186	647,800,986	941,350,944	46,155,814	987,506,758	339,705,772	65.6%
2021	6.750%	732	23,428,765	-	151,943,814	7,335,149	36,284,267	505,903,869	44,340,150	550,244,019	863,848,191	41,562,116	905,410,307	355,166,288	60.8%
2022	6.750%	805	27,128,213	-	141,394,522	7,555,203	30,037,035	414,119,392	47,141,350	461,260,742	794,431,363	36,465,883	830,897,246	369,636,504	55.5%
2023	6.750%	886	29,922,901	-	138,195,315	7,781,859	24,036,227	322,101,346	51,663,764	373,765,110	726,275,270	42,132,430	768,407,700	394,642,590	48.6%
2024	6.750%	974	33,381,241	-	131,223,066	8,015,315	18,169,162	234,413,368	57,985,064	292,398,432	663,632,351	47,965,388	711,597,739	419,199,307	41.1%
2025	6.750%	1,072	37,714,554	-	123,312,219	8,255,775	12,655,349	153,215,277	66,110,230	219,325,507	608,376,565	53,660,981	662,037,546	442,712,039	33.1%
2026	6.750%	1,179	43,266,664	-	110,398,078	8,503,448	7,789,355	85,369,770	75,822,521	161,192,291	566,775,671	58,347,101	625,122,772	463,930,481	25.8%
2027	6.750%	1,297	49,898,710	-	101,041,757	8,758,551	3,740,781	29,208,953	87,133,199	116,342,152	536,765,311	62,567,016	599,332,328	482,990,176	19.4%
2028	6.750%	1,427	57,467,057	7,944,863	86,553,182	9,021,308	953,618	1	100,371,920	100,371,921	525,271,572	65,368,762	590,640,334	490,268,413	17.0%
2029	6.750%	1,569	66,289,282	17,387,867	74,385,203	9,291,947	-	-	115,760,391	115,760,391	531,984,163	67,074,017	599,058,179	483,297,788	19.3%
2030	6.750%	1,726	76,517,201	-	63,397,162	9,570,705	119,790	3,669,123	133,588,893	137,258,016	557,881,503	68,018,854	625,900,357	488,642,341	21.9%
2031	6.750%	1,899	88,327,753	-	55,162,806	9,857,827	1,034,281	28,010,524	154,262,389	182,272,913	602,826,269	68,355,815	671,182,085	488,909,172	27.2%
2032	6.750%	2,089	102,057,844	-	49,431,658	10,153,561	3,324,161	73,807,309	178,173,059	251,980,368	666,734,302	68,590,008	735,324,309	483,343,941	34.3%
2033	6.750%	2,297	117,876,809	-	46,905,820	10,458,169	7,024,301	141,344,430	205,789,884	347,134,314	749,234,675	68,970,394	818,205,069	471,070,755	42.4%
2034	6.750%	2,500	136,147,715	-	46,672,252	10,771,914	12,196,994	232,244,974	236,854,962	469,099,936	849,857,001	69,650,287	919,507,288	450,407,352	51.0%
2035	6.750%	2,500	156,173,767	-	48,346,606	11,095,071	18,941,244	347,918,308	264,848,449	612,766,757	959,632,267	71,036,114	1,030,668,382	417,901,625	59.5%
2036	6.750%	2,500	169,815,986	-	52,110,513	11,427,923	27,071,353	481,267,211	290,205,336	771,472,547	1,077,399,726	72,917,411	1,150,317,137	378,844,590	67.1%
2037	6.750%	2,500	183,268,511	-	57,788,599	11,770,761	36,323,221	631,299,584	313,509,169	944,808,753	1,201,966,951	74,935,316	1,276,902,267	332,093,514	74.0%
2038	6.750%	2,500	196,437,578	-	65,221,711	12,123,883	46,632,076	797,023,643	335,531,343	1,132,554,986	1,332,116,072	77,090,887	1,409,206,959	276,651,973	80.4%
2039	6.750%	2,500	209,202,179	-	74,290,448	12,487,600	57,930,910	977,378,683	357,172,056	1,334,550,739	1,466,920,814	79,288,403	1,546,209,217	211,658,478	86.3%
2040	6.750%	2,500	221,511,856	-	84,816,996	12,862,228	70,152,412	1,171,363,727	378,683,210	1,550,046,937	1,605,420,679	81,468,919	1,686,889,598	136,842,661	91.9%
2041	6.750%	2,500	234,077,893	-	96,881,905	13,248,095	83,250,293	1,378,561,913	400,284,313	1,778,846,226	1,746,653,429	84,033,823	1,830,687,251	51,841,025	97.2%
2042	6.750%	2,500	246,974,352	-	110,239,527	13,645,538	97,207,193	1,598,858,393	422,188,336	2,021,046,729	1,890,039,820	87,030,544	1,977,070,364	(43,976,365)	102.2%
2043	6.750%	2,500	260,249,467	-	124,574,010	14,054,904	112,027,635	1,832,506,581	444,591,078	2,277,097,659	2,035,278,907	90,299,322	2,125,578,228	(151,519,431)	107.1%
2044	6.750%	2,500	273,962,719	-	139,708,280	14,476,551	127,736,698	2,080,021,167	467,651,407	2,547,672,574	2,182,233,797	93,668,753	2,275,902,550	(271,770,024)	111.9%
2045	6.750%	2,500	288,193,038	-	155,388,891	14,910,848	144,380,328	2,342,294,794	491,511,916	2,833,806,710	2,330,999,371	97,037,091	2,428,036,462	(405,770,248)	116.7%
2046	6.750%	2,500	302,998,463	-	171,524,625	15,358,173	162,023,802	2,620,434,261	516,312,465	3,136,746,726	2,481,717,463	100,291,998	2,582,009,461	(554,737,265)	121.5%
2047	6.750%	2,500	318,424,468	-	188,021,146	15,818,918	180,746,536	2,915,765,201	542,193,822	3,457,959,023	2,634,713,058	103,386,438	2,738,099,496	(719,859,527)	126.3%
2048	6.750%	2,500	334,514,491	-	204,749,128	16,293,486	200,643,827	3,229,880,905	569,303,513	3,799,184,418	2,790,511,521	106,346,301	2,896,857,822	(902,326,596)	131.1%
2049	6.750%	2,500	351,308,131	-	221,569,279	16,782,290	221,829,245	3,564,666,712	597,768,688	4,162,435,400	2,949,603,001	109,230,577	3,058,833,578	(1,103,601,822)	136.1%
2050	6.750%	2,500	368,873,538	-	238,573,575	17,285,759	244,429,232	3,922,110,148	627,657,123	4,549,767,271	3,112,564,956	112,116,107	3,224,681,063	(1,325,086,208)	141.1%
2051	6.750%	2,500	387,317,215	-	255,734,124	17,804,332	268,582,468	4,304,471,375	659,039,979	4,963,511,354	3,279,962,146	115,088,439	3,395,050,585	(1,568,460,769)	146.2%
2052	6.750%	2,500	406,683,076	-	273,126,197	18,338,462	294,440,439	4,714,130,231	691,991,978	5,406,122,209	3,452,398,628	118,215,138	3,570,613,766	(1,835,508,443)	151.4%
2053	6.750%	2,500	427,017,229	-	290,775,127	18,888,616	322,164,471	5,153,648,188	726,591,577	5,880,239,765	3,630,798,922	121,551,041	3,752,349,963	(2,127,889,802)	156.7%

[a] *Additional contributions in the amount of $25,332,730 are needed over the years 2028 through 2029 to pay all benefits due.*

Open Group Projections
Scenario 8 — Continuing Business Scenario
Projection Based on Data as of June 30, 2016
6.75% Assumed Net Investment Return
Other Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2016
15% Annual Sales Growth from 500 Contracts Sold in FY 2017 to 2,500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2016			$ 26,712,224	$ -	$ 138,801,080	$ 6,327,364	$ 59,235,986	$ 966,205,198	$ 51,206,641	$ 1,017,411,839	$ 1,230,800,269	$ 50,926,306	$ 1,281,726,575	$ 264,314,736	79.4%
2017	6.750%	500	15,831,501	-	152,153,518	5,735,123	60,424,422	884,572,481	44,972,990	929,545,471	1,165,792,164	57,868,246	1,223,660,410	294,114,939	76.0%
2018	6.750%	575	19,733,005	-	153,397,046	6,712,700	54,970,927	799,166,666	43,045,052	842,211,718	1,097,003,129	54,428,997	1,151,432,126	309,220,408	73.1%
2019	6.750%	661	21,103,666	-	155,678,110	6,914,082	49,168,512	706,846,653	42,816,162	749,662,815	1,023,498,544	50,537,238	1,074,035,782	324,372,967	69.8%
2020	6.750%	760	22,806,382	-	158,275,074	7,121,503	42,899,730	607,156,188	44,722,968	651,879,156	945,107,758	46,155,814	991,263,572	339,384,416	65.8%
2021	6.750%	875	25,585,074	-	151,943,814	7,335,149	36,470,874	509,933,173	48,602,618	558,535,791	871,016,108	41,562,116	912,578,224	354,042,433	61.2%
2022	6.750%	1,006	30,695,513	-	141,394,522	7,555,203	30,429,410	422,108,371	53,986,202	476,094,573	806,732,889	36,465,883	843,198,772	367,104,199	56.5%
2023	6.750%	1,157	35,415,820	-	138,209,638	7,781,859	24,760,386	336,293,080	61,978,144	398,271,224	745,970,964	42,132,430	788,103,394	389,832,170	50.5%
2024	6.750%	1,330	41,411,961	-	131,273,945	8,015,315	19,396,424	257,812,205	72,876,262	330,688,467	693,651,270	47,965,388	741,616,658	410,928,191	44.6%
2025	6.750%	1,530	49,049,913	-	123,439,913	8,255,775	14,613,029	189,779,459	86,959,234	276,738,693	652,468,710	53,660,981	706,129,691	429,390,998	39.2%
2026	6.750%	1,759	58,866,454	-	110,673,819	8,503,448	10,774,624	140,243,270	104,350,162	244,593,432	629,701,284	58,347,101	688,048,385	443,454,953	35.5%
2027	6.750%	2,023	70,960,841	-	101,573,565	8,758,551	8,137,640	109,009,635	125,482,348	234,491,983	624,528,913	62,567,016	687,095,930	452,603,947	34.1%
2028	6.750%	2,326	85,482,337	-	87,493,547	9,021,308	6,985,803	104,962,920	151,207,194	256,170,114	645,410,897	65,368,762	710,779,659	454,609,545	36.0%
2029	6.750%	2,500	103,110,592	-	75,940,510	9,291,947	7,688,384	130,529,439	178,196,033	308,725,472	688,193,819	67,074,017	755,267,835	446,542,363	40.9%
2030	6.750%	2,500	119,018,461	-	65,836,852	9,570,705	10,282,605	184,422,947	202,109,466	386,532,413	747,449,053	68,018,854	815,467,907	428,935,494	47.4%
2031	6.750%	2,500	130,522,310	-	58,836,930	9,857,827	14,535,229	260,785,729	223,414,688	484,200,417	821,358,732	68,355,815	889,714,548	405,514,131	54.4%
2032	6.750%	2,500	141,821,904	-	54,792,706	10,153,561	20,197,589	357,858,954	242,699,902	600,558,856	907,745,137	68,590,008	976,335,144	375,776,288	61.5%
2033	6.750%	2,500	152,661,616	-	54,520,918	10,458,169	27,114,765	472,656,248	260,815,589	733,471,837	1,003,815,462	68,970,394	1,072,785,856	339,314,019	68.4%
2034	6.750%	2,500	162,890,049	-	57,086,000	10,771,914	35,111,631	602,800,015	278,435,754	881,235,769	1,107,514,803	69,650,287	1,177,165,090	295,929,321	74.9%
2035	6.750%	2,500	172,781,555	-	62,000,499	11,095,071	44,053,403	746,539,403	295,786,432	1,042,325,835	1,216,829,202	71,036,114	1,287,865,317	245,539,482	80.9%
2036	6.750%	2,500	182,833,337	-	69,389,633	11,427,923	53,834,442	902,389,626	313,072,383	1,215,462,009	1,330,222,292	72,917,411	1,403,139,703	187,677,694	86.6%
2037	6.750%	2,500	193,101,322	-	78,825,363	11,770,761	64,370,850	1,069,265,675	330,490,703	1,399,756,378	1,446,497,116	74,935,316	1,521,432,432	121,676,054	92.0%
2038	6.750%	2,500	203,627,905	-	89,764,830	12,123,883	75,609,131	1,246,613,997	348,212,392	1,594,826,389	1,564,794,176	77,090,887	1,641,885,063	47,058,674	97.1%
2039	6.750%	2,500	214,473,901	-	101,737,097	12,487,600	87,529,855	1,434,393,055	366,377,318	1,800,770,373	1,684,655,073	79,288,403	1,763,943,476	(36,826,897)	102.1%
2040	6.750%	2,500	225,704,426	-	114,481,774	12,862,228	100,141,196	1,632,894,675	385,114,225	2,018,008,900	1,805,837,568	81,468,919	1,887,306,487	(130,702,413)	106.9%
2041	6.750%	2,500	237,364,387	-	127,867,646	13,248,095	113,468,782	1,842,612,103	404,551,280	2,247,163,383	1,928,167,589	84,033,823	2,012,201,411	(234,961,972)	111.7%
2042	6.750%	2,500	249,489,009	-	141,628,322	13,645,538	127,556,078	2,064,383,330	424,823,047	2,489,206,377	2,051,825,268	87,030,544	2,138,855,812	(350,350,565)	116.4%
2043	6.750%	2,500	262,108,042	-	155,527,312	14,054,904	142,468,621	2,299,377,777	446,064,199	2,745,441,976	2,177,166,718	90,299,322	2,267,466,039	(477,975,937)	121.1%
2044	6.750%	2,500	275,259,113	-	169,536,180	14,476,551	158,287,565	2,548,911,724	468,367,409	3,017,279,133	2,304,535,108	93,668,753	2,398,203,861	(619,075,272)	125.8%
2045	6.750%	2,500	289,022,069	-	183,615,717	14,910,848	175,105,765	2,814,512,993	491,785,779	3,306,298,772	2,434,386,115	97,037,091	2,531,423,206	(774,875,566)	130.6%
2046	6.750%	2,500	303,473,173	-	197,821,503	15,358,173	193,027,033	3,097,833,523	516,375,068	3,614,208,591	2,567,106,431	100,291,998	2,667,398,429	(946,810,162)	135.5%
2047	6.750%	2,500	318,646,831	-	212,194,982	15,818,918	212,162,624	3,400,629,078	542,193,822	3,942,822,900	2,703,282,570	103,386,438	2,806,669,008	(1,136,153,892)	140.5%
2048	6.750%	2,500	334,579,173	-	226,606,693	16,293,486	232,636,629	3,724,944,701	569,303,513	4,294,248,214	2,843,768,986	106,346,301	2,950,115,287	(1,344,132,927)	145.6%
2049	6.750%	2,500	351,308,131	-	240,869,037	16,782,290	254,594,684	4,073,196,189	597,768,688	4,670,964,877	2,989,442,896	109,230,577	3,098,673,473	(1,572,291,404)	150.7%
2050	6.750%	2,500	368,873,538	-	255,039,377	17,285,759	278,199,251	4,447,943,842	627,657,123	5,075,600,965	3,141,108,072	112,116,107	3,253,224,179	(1,822,376,786)	156.0%
2051	6.750%	2,500	387,317,215	-	269,270,697	17,804,332	303,619,383	4,851,805,411	659,039,979	5,510,845,390	3,299,493,641	115,088,439	3,414,582,080	(2,096,263,310)	161.4%
2052	6.750%	2,500	406,683,076	-	283,713,008	18,338,462	331,028,182	5,287,465,199	691,991,978	5,979,457,177	3,465,250,939	118,215,138	3,583,466,077	(2,395,991,100)	166.9%
2053	6.750%	2,500	427,017,229	-	298,515,707	18,888,616	360,603,337	5,757,681,442	726,591,577	6,484,273,019	3,638,957,798	121,551,041	3,760,508,839	(2,723,764,180)	172.4%

SECTION D

ACTUARIAL METHODS & ASSUMPTIONS

ACTUARIAL VALUATION METHODS

Actuarial Value of Assets – The Actuarial Value of Assets is equal to the Market Value of Assets.

ACTUARIAL VALUATION ASSUMPTIONS

The actuarial assumptions used in the annual actuarial valuation are shown in this Section.

Measurement Date June 30, 2016

The net investment return rate 6.75 percent per annum, compounded annually. Includes inflation assumption of 3.00 percent. (Updated for the valuation as of June 30, 2016)

For certain projection scenarios where the Trust is completely exhausted, we have incorporated a "select and ultimate" approach to the investment return assumption (and also the related discount rate for the liabilities). Under this "select and ultimate" approach to the investment return assumption, we have assumed that the net investment return and discount rate grade down from 6.75% to 4.00% in yearly increments based on the number of years until the Trust is projected to run out of money to pay benefits.

Weighted Average Tuition and Fees (WATF) Based on the Freshman Blended Tuition Rate and Increases by Contract Type

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy†
2016-2017 Weighted Tuition	$3,698	$10,410	$14,136	$11,318
2016-2017 Weighted Fees	459	3,748	3,662	3,727
2016-2017 Total WATF	4,157	14,158	17,798	15,045

†Legacy contracts refer to contracts sold prior to October 2008. These contracts can be used for full tuition and fees at any public University in the State of Illinois, including UIUC.

For continuing students at public universities and students attending community colleges, fees are combined with tuition in our projections and follow their respective tuition inflation assumptions.

These assumptions were chosen by ISAC and consider historical Illinois public tuition and fee inflation, typically over a 20-year horizon, as well as current economic and political conditions.

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy†
2016-2017 Total WATF	$4,157	$14,158	$17,798	$15,045
2015-2016 Total WATF	3,980	13,770	17,726	14,687
WATF Increase	4.45%	2.82%	0.41%	2.44%

Tuition and Fee Increase Assumption

Tuition and Fee Increase Assumption - June 30, 2016, Actuarial Valuation				
Effective Date	Community College	University	University Plus	Legacy
6/30/2017 and Beyond	5.00%	5.00%	5.00%	5.00%

(Updated for the actuarial valuation as of June 30, 2016)

Truth in Tuition

We have segregated the beneficiaries into two categories, those beneficiaries that fall under the Truth in Tuition law and those that do not. The Truth in Tuition law does not apply to community colleges.

For Truth in Tuition beneficiaries, it was assumed that their tuition will not increase in their second, third and fourth year of school. If they attend school beyond four years, it was assumed that their tuition would increase to the amount charged the year after the year they first enrolled. For all other beneficiaries, it was assumed that tuition will rise for each year enrolled. It was assumed fees will rise for each year enrolled.

Administrative Expenses

Administrative expenses of the Program are assumed to be paid through a combination of investment earnings and fees assessed on purchasers. For purposes of the closed group projections, marketing expenses (assumed to be 12 percent of total administrative expenses) were excluded as it is assumed those costs should be applicable only to future contracts. Expenses are assumed to grow at the rate of the inflation assumption of 3.0 percent. Closed group administrative expenses are projected to increase by 3.0 percent for 7 years and then decline at the same rate the present value of benefits declines (combined with a 3.0 percent increase for inflation). The present value of future administrative expenses was determined to be equal to approximately 4.0 percent of the total liabilities.

Bias Load

"Legacy," Choice 1 and Choice 2 contract beneficiaries were assumed on average to attend more expensive schools than indicated by the headcount information that was used to determine the 2016-2017 WATF. A load of 4.0 percent for "Legacy" contracts, 5.5 percent for Choice 1 contracts and 2.5 percent for Choice 2 contracts was added to the WATF assumption to recognize this bias toward enrollment at more expensive schools. No bias load was applied to the "University Plus" beneficiaries due to the separation of UIUC.

Mortality and Disability

No assumption is made for death or disability. Valuing the rate of incidence is expected to be immaterial.

Future Beneficiary Profile

The characteristics of future beneficiaries are assumed to be the same as the characteristics of 2016 new beneficiaries.

The Rates of Enrollment

These rates are used to measure the probability of eligible members matriculating at and beyond their projected college entrance date.

Years From Projected College Entrance Year	Matriculation Rate
0	70%
1	35%
2	40%
3	30%
4	20%
5	15%
6	15%
7	10%
8	10%
9	10%
10	0%

Rates of Cancellation

These rates are used to measure the probability of eligible members cancelling their contracts before and after projected college entrance date.

Years From Projected College Entrance Year	Cancellation Rate
-17	8%
-16	7%
-15	6%
-14	4%
-13	4%
-12	3%
-11	3%
-10	3%
-9	2%
-8	2%
-7	2%
-6	2%
-5	2%
-4	1%

Years From Projected College Entrance Year	Cancellation Rate
-3	1%
-2	1%
-1	1%
0	2%
1	2%
2	3%
3	3%
4	5%
5	5%
6	8%
7	8%
8	5%
9	5%
10	5%

In the event of a cancellation, it was assumed that a refund will be paid equal to the amount of contributions paid by the contract holder, increased by 2 percent for each subsequent year after purchase, for contracts sold prior to October 1, 2013.

Utilization of Benefits

Once they start matriculating, beneficiaries are assumed to use the benefits as described by the CIPTP Master Agreement according to the schedule below.

Distribution of Benefit Utilization									
Number of Years Since Matriculation	**Number of Semesters Purchased**								
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
1	73%	73%	49%	37%	29%	24%	21%	18%	16%
2	20%	20%	28%	35%	26%	24%	21%	18%	16%
3	7%	7%	14%	17%	19%	22%	21%	18%	16%
4			5%	6%	13%	15%	21%	18%	16%
5			5%	6%	7%	9%	8%	13%	16%
6					3%	4%	3%	6%	8%
7					2%	2%	2%	4%	6%
8							1%	2%	4%
9							1%	2%	1%

Once a contract beneficiary has matriculated, and if the contract beneficiary has used credits within the past year, it is assumed that the contract beneficiary will utilize 22 credits per year until benefits are fully depleted.

If the contract beneficiary has matriculated, but the contract beneficiary has not used credits within the past year, the matriculation rates, cancellation rates and benefit utilization rates that apply to members that have not matriculated yet are assumed. (Updated for the valuation as of June 30, 2016)

SECTION E

PLAN PROVISIONS

PLAN PROVISIONS

(This is a summary only; the full terms and conditions of the College Illinois!® Prepaid Tuition Program are included in the Illinois Prepaid Tuition Act, 110 ILCS 979 (the "Act") and ISAC Administrative Rules (23 Ill. Adm. Code 2775, et. seq.) ("ISAC Rules").

A. Type of Contract

Three types of contracts are available for purchase: Choice 1 - Community College, Choice 2 – University and Choice 3 – University Plus.

B. Benefit

Covered benefits include tuition and mandatory fees at an Illinois public university or community college based on the in-state or in-district undergraduate rate for a full-time student.

Mandatory fees are fees that are required upon enrollment for all students attending the particular institution.

The benefit does not include any optional fees, expenses or cost of supplies.

Benefit shall never be less than payment amount.

C. Member Contributions

The Program offers a variety of payment options, including the following:

- Lump Sum;
- 5-year installment plans paid monthly or annually;
- Extended installment plans of 6 to 15 years, depending on age, paid monthly or annually; and
- Down payment options are available for monthly installment plans.

D. Private or Out-of-State Institutions

For beneficiaries attending a private or out-of-state institution, the plan will pay an amount based upon the weighted average tuition and mandatory fees at Illinois public universities or community colleges depending on the type of contract purchased.

PLAN PROVISIONS (CONTINUED)

E. Scholarship

If a qualified beneficiary is awarded a grant or scholarship that duplicates the benefits covered by a prepaid tuition contract, the purchaser may request a refund in semester installments.

Illinois public university or community college – the installments will be in an amount equal to the current cost of in-state or in-district registration fees at that institution, less any benefits used to pay registration fees not covered by the scholarship and any applicable fees.

Illinois Private Institution or an eligible Out-of-State Institution – the installments will be in an amount equal to the current average mean-weighted credit hour value of registration fees at Illinois public universities or Illinois community colleges, depending on the type of the purchased contract, less any benefits used to pay registration fees not covered by the scholarship and any applicable fees.

F. Not Attending an Institution of Higher Education

Benefits can be transferred to a member of the "family" as defined in Section 529 of the Internal Revenue Code.

Purchasers can also choose to postpone the beneficiary's use of contract benefits to a later time or receive a refund payment equal to all contributions, plus two percent interest (only applicable to contracts purchased prior to the 2013/2014 enrollment period), less applicable cancellation fees.

G. Death/Disability of Qualified Beneficiary

Refunds equal to amount paid with all accrued earnings will be made to purchaser.

H. Changes from Previous Valuation

None.

I. Other Ancillary Benefits

There are no ancillary benefits.

RSM

RSM US LLP

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Frank J. Mautino
Auditor General
State of Illinois, and

Mr. Kevin B. Huber
Chair of the Governing Board
Illinois Student Assistance Commission

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Student Assistance Commission's basic financial statements, and have issued our report thereon dated December 21, 2016. That report contains an emphasis of matter paragraph which states "as discussed in Note 13, the Illinois Prepaid Tuition Program Fund has a deficit as of June 30, 2016 of $215 million. The amount of the fund deficit is highly dependent on the actuarial assumptions used to calculate the present value of the future tuition benefits obligation." That report also contains another emphasis of matter paragraph which states "as discussed in Note 15, beginning net position was restated to reflect the implementation of GASB Statement No. 72, *Fair Value Measurement and Application."* Our opinion is not modified with respect to these matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Student Assistance Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2016-001.

State of Illinois, Illinois Student Assistance Commission's Response to Findings

The State of Illinois, Illinois Student Assistance Commission's response to the finding identified in our audit is described in the accompanying schedule of findings. The State of Illinois, Illinois Student Assistance Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Illinois Student Assistance Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
December 21, 2016

Current Findings – *Government Auditing Standards*

Finding 2016-001 Debt Covenant Violation

The Illinois Student Assistance Commission (Commission) - Illinois Designated Account Purchase Program (IDAPP) was not in compliance with two of the covenants relating to the agency's revolving line of credit agreement.

During our audits of the fiscal year 2009 through 2016 financial statements, we noted that IDAPP was in violation of one or more debt covenants related to the agency's revolving credit (loan) agreement. In addition, the Three-Year Asset Backed Revolving Credit Facility (the facility) matured on July 27, 2010 and has not been repaid. Per the agreement, the minimum required coverage condition ratio is 104%. We reviewed the monthly reports noting that 9 of these months fell under this ratio, ranging from 103.24% to 103.91%. Also per the agreement, the default ratio is set at a maximum of 6.25%. We reviewed the monthly reports noting that 9 of these months fell above this ratio, ranging from 8.04% to 11.02%.

As a result of the debt covenant violation and the maturity of the facility, the bank has certain remedies available to it under the terms of the loan agreement, principal of which would be rights to call the loan and take possession of the collateral (the underlying student loan portfolio). The bank has been made aware of the event of default and the maturity of the loan and has not communicated to IDAPP any intent to exercise the remedies available to it under the terms of the loan agreement. The balance of the line of credit with the bank was $158,256,827 at June 30, 2016.

According to Commission management, the coverage condition and default issues are due to the poor performance of the portfolio. The portfolio continues to experience a high level of delinquent accounts. The line of credit has not been refinanced because of the conditions in the private loan credit market.

As a result of the violation, the bank may have certain remedies under the terms of the loan agreements, principal of which would be the right to call the loan and take possession of the collateral (the underlying student loan portfolio of IDAPP). (Finding Code No. 2016-001, 2015-001, 2014-001, 2013-001, 12-2, 11-10, 10-6, 09-1)

Recommendation

We recommend the IDAPP continue to monitor the loan covenant violations and continue seeking remedies from the lender involved.

Commission Response

We agree with the recommendation. The loan covenants are reviewed on a monthly basis. We continue to talk to Citibank about the portfolio.