STATE OF ILLINOIS
ILLINOIS STUDENT
ASSISTANCE COMMISSION

FINANCIAL AUDIT
June 30, 2020

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

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION

FINANCIAL AUDIT
June 30, 2020

CONTENTS

CONTENTS (Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
AGENCY OFFICIALS

Commission Officials:

Executive Director	Eric Zarnikow
Chief Financial Officer	Shoba Nandhan
Chief Investment Officer	Carmen Heredia-Lopez
General Counsel	Karen Salas
Chief Internal Auditor	Kishor Desai

Governing Board:

Chairman	Kevin B. Huber
Vice Chair	Elizabeth V. Lopez
Commissioner	Niketa Brar
Commissioner	James A. Hibbert
Commissioner	Maureen Amos (Beginning 8/30/19)
Commissioner	Kim Savage (7/1/18 - 8/30/19)
Commissioner	Dr. Jonathan “Josh” Bullock (Beginning 8/30/19)
Commissioner	Mark Donovan (7/1/18 – 8/30/19)
Commissioner	Franciene Sabens (Beginning 8/30/19)
Commissioner	Darryl Arrington (Beginning 8/30/19)
Commissioner	Thomas Dowling (Beginning 3/27/20)
Student Commissioner	Emma M. Johns (Beginning 8/6/19)

Commission Offices:

1755 Lake Cook Road
Deerfield, IL 60015-5209

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 Crowe LLP.

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

SUMMARY OF FINDINGS

The auditors identified a matter involving the Commission's internal control over financial reporting that they consider to be a significant deficiency. Further, the auditors identified two noncompliance matters.

Item No.	Page	Last/First Reported	Description	Finding Type
2020-001	150	2019/2009	Debt Covenant Violation	Noncompliance
2020-002	151-152	New	Lack of Census Data Reconciliations	Significant Deficiency / Noncompliance

EXIT CONFERENCE

In correspondence received from Wendy Funk, Managing Director of Finance and Accounting, on May 10, 2021 the Commission elected to waive a formal exit conference. The response to the recommendation was provided by Wendy Funk, Managing Director of Finance and Accounting, in correspondence dated on May 10, 2021.

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, 2020, 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 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, 2020, 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 of Illinois 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, 2020, 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 net position deficit as of June 30, 2020 of $322 million. The amount of the net position deficit is highly dependent on the actuarial assumptions used to calculate the actuarial present value of future tuition benefit obligations.

Our opinions are 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 schedule 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, pension and OPEB 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 required 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 opinions on the basic financial statements are 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 valuation 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 May 24, 2021, 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 the effectiveness of the State of Illinois, Illinois Student Assistance Commission's 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 the Commission's management and is not intended to be, and should not be, used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Crowe, LLP

Oak Brook, Illinois
May 24, 2021

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
June 30, 2020
(Dollars in thousands)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Unrestricted			
Unexpended appropriations	$ 36,057	$ -	$ 36,057
Cash and cash equivalents	259	121,945	122,204
Investments	-	163,086	163,086
Receivables			
Contracts	-	4,953	4,953
Intergovernmental	-	9,895	9,895
Recoverable taxes	-	25	25
Accrued interest on investments	-	84	84
Other	388	-	388
Securities lending collateral	-	33,526	33,526
Due from other State funds	-	111	111
Due from other ISAC funds	-	2,477	2,477
Total current assets, unrestricted	36,704	336,102	372,806
Restricted			
Cash and cash equivalents	-	8,486	8,486
Receivables			
Student loans, net	-	26,156	26,156
Accrued interest on loans	-	24,533	24,533
Total current assets, restricted	-	59,175	59,175
Non-current			
Unrestricted			
Investments	-	425,173	425,173
Contracts receivable	-	12,042	12,042
Notes receivable	3,041	-	3,041
Capital assets being depreciated, net	8,608	1,100	9,708
Total non-current assets, unrestricted	11,649	438,315	449,964
Restricted			
Student loans receivable, net	-	191,812	191,812
Total non-current, restricted	-	191,812	191,812
Total assets	48,353	1,025,404	1,073,757
Deferred outflows of resources			
Pension related amounts	34,870	10,273	45,143
OPEB related amounts	39,081	3,560	42,641
Total deferred outflows of resources	73,951	13,833	87,784

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
June 30, 2020
(Dollars in thousands)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current			
Accounts payable and accrued liabilities	$ 1,437	$ 7,893	$ 9,330
Accrued interest payable	-	423	423
Federal special allowance and interest subsidy	-	535	535
Due to other State funds	-	348	348
Due to other ISAC funds	-	2,477	2,477
Due to State of Illinois component units	35,021	12	35,033
Unearned revenue	7	-	7
Securities lending collateral obligation	-	33,526	33,526
Intergovernmental payable	-	2,704	2,704
Net OPEB liability	52	611	663
Compensated absences	70	146	216
Tuition obligation	-	140,782	140,782
Line of credit	-	78,157	78,157
Total current liabilities	36,587	267,614	304,201
Non-current			
Revenue bonds and notes payable, net	-	115,253	115,253
Net pension liability	64,743	28,486	93,229
Net OPEB liability	63,720	18,963	82,683
Compensated absences	601	1,300	1,901
Tuition obligation	-	767,320	767,320
Total non-current liabilities	129,064	931,322	1,060,386
Total liabilities	165,651	1,198,936	1,364,587
Deferred inflows of resources			
Unamortized deferred amount on refunding	-	24,929	24,929
Pension related amounts	9,904	35,482	45,386
OPEB related amounts	11,801	29,131	40,932
Total deferred inflows of resources	21,705	89,542	111,247
Net position			
Investment in capital assets	8,608	1,100	9,708
Restricted for debt service	-	31,839	31,839
Restricted for federal programs	3	48,991	48,994
Unrestricted	(73,663)	(331,171)	(404,834)
Total net position	$ (65,052)	$ (249,241)	$ (314,293)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020
(Dollars in thousands)

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental activities			
Education			
Scholarships, awards and grants	$ 523,696	$ -	$ 2,447
Total governmental activities	523,696	-	2,447
Business-type activities			
Education			
Student loan purchase program	8,256	14,108	-
Prepaid tuition	36,863	236	9,752
Loan guarantee program	77,368	17,840	77,760
Total business-type activities	122,487	32,184	87,512
Total Commission	$ 646,183	$ 32,184	$ 89,959

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

Change in net position

Net position (deficit) July 1, 2019

Net position (deficit) June 30, 2020

See notes to the financial statements.

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (521,249)	$ -	$ (521,249)
(521,249)	-	(521,249)
-	5,852	5,852
-	(26,875)	(26,875)
-	18,232	18,232
-	(2,791)	(2,791)
(521,249)	(2,791)	(524,040)
504,691	-	504,691
(5,223)	-	(5,223)
(3,544)	-	(3,544)
5,766	-	5,766
-	2,306	2,306
368	-	368
502,058	2,306	504,364
(19,191)	(485)	(19,676)
(45,861)	(248,756)	(294,617)
$ (65,052)	$ (249,241)	$ (314,293)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020
(Dollars in thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Unexpended appropriations	$ 36,057	$ -	$ 36,057
Cash and cash equivalents	-	259	259
Other receivables	-	388	388
Notes receivable, net of allowance of $29,548	3,041	-	3,041
Total assets	$ 39,098	$ 647	$ 39,745
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	$ 1,036	$ 401	$ 1,437
Due to other State of Illinois component units	35,021	-	35,021
Unearned revenues	-	7	7
Total liabilities	36,057	408	36,465
Fund balances			
Nonspendable, notes receivable	3,041	-	3,041
Restricted	-	3	3
Committed	-	237	237
Unassigned	-	(1)	(1)
Total fund balances	3,041	239	3,280
Total liabilities and fund balances	$ 39,098	$ 647	$ 39,745

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2020
(Dollars in thousands)

Total fund balances, governmental fund		$ 3,280
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	24	
Accumulated depreciation	(13,345)	
Total capital assets		8,608
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	34,870	
Deferred outflows, OPEB related	39,081	
Net pension liability	(64,743)	
Net OPEB liability	(63,772)	
Deferred inflows, pension related	(9,904)	
Deferred inflows, OPEB related	(11,801)	
Compensated absences	(671)	
		(76,940)
Net position of governmental activities		$ (65,052)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020
(Dollars in thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Federal government	$ -	$ 2,447	$ 2,447
Other	4	364	368
Total revenues	4	2,811	2,815
Expenditures			
Education			
Scholarships, awards and grants	502,830	2,818	505,648
Total expenditures	502,830	2,818	505,648
Deficiency of revenues over expenditures	(502,826)	(7)	(502,833)
Other sources (uses) of financial resources			
Appropriations from State resources	504,641	50	504,691
Lapsed appropriations	(5,223)	-	(5,223)
Receipts remitted to State Treasury	(3,544)	-	(3,544)
SERS / OPEB on behalf contribution	5,766	-	5,766
Net other sources (uses) of financial resources	501,640	50	501,690
Net change in fund balances	(1,186)	43	(1,143)
Fund balance, July 1, 2019	4,227	196	4,423
Fund balance, June 30, 2020	$ 3,041	$ 239	$ 3,280

See notes to the 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, 2020
(Dollars in thousands)

Net change in fund balances, total governmental funds	$ (1,143)
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 ($504) Exceeded capital outlay ($0) in FY 2020	(504)
Some amounts reported in the Statement of Activities do not require the use of the current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:	
Increase in unpaid accumulated vacation and sick leave	754
Increase in deferred outflows, pension related	6,209
Increase in deferred outflows, OPEB related	15,003
Decrease in deferred inflows, pension related	5,340
Increase in deferred inflows, OPEB related	1,778
Increase in net pension liability	(21,503)
Increase in net OPEB liability	(25,125)
Change in net position of governmental activities	$ (19,191)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2020
(Dollars in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
ASSETS				
Current				
Unrestricted				
Cash and cash equivalents	$ 9,404	$ 3,927	$ 108,614	$ 121,945
Investments	20,598	142,488	-	163,086
Receivables				
Contracts	-	4,953	-	4,953
Intergovernmental	-	-	9,895	9,895
Recoverable taxes	-	25	-	25
Accrued interest on investments	-	3	81	84
Securities lending collateral	-	-	33,526	33,526
Due from other State funds	-	-	111	111
Due from other ISAC funds	147	-	2,330	2,477
Total current assets, unrestricted	30,149	151,396	154,557	336,102
Restricted				
Cash and cash equivalents	8,486	-	-	8,486
Receivables				
Student loans receivable, net of allowance of $9,082	26,156	-	-	26,156
Accrued interest on loans	24,533	-	-	24,533
Total current assets, restricted	59,175	-	-	59,175
Non-current				
Unrestricted				
Investments	-	425,173	-	425,173
Contracts receivable	-	12,042	-	12,042
Capital assets, net of accumulated depreciation	-	-	1,100	1,100
Total non-current assets, unrestricted	-	437,215	1,100	438,315
Restricted				
Student loans receivable, net of allowance of $66,597	191,812	-	-	191,812
Total non-current, restricted	191,812	-	-	191,812
Total assets	281,136	588,611	155,657	1,025,404
Deferred outflows of resources				
Pension related amounts	893	-	9,380	10,273
OPEB related amounts	372	-	3,188	3,560
Total deferred outflows of resources	1,265	-	12,568	13,833
Total assets and deferred outflows of resources	$ 282,401	$ 588,611	$ 168,225	$ 1,039,237

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2020
(Dollars in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$ 82	$ 1,922	$ 5,889	$ 7,893
Accrued interest payable	423	-	-	423
Tuition obligation	-	140,782	-	140,782
Federal special allowance and interest subsidy	535	-	-	535
Due to other ISAC funds	1,990	340	147	2,477
Due to other State funds	-	64	284	348
Due to State of Illinois component units	-	10	2	12
Securities lending collateral obligation	-	-	33,526	33,526
Intergovernmental payable	-	-	2,704	2,704
Net OPEB liability	38	-	573	611
Compensated absences	7	-	139	146
Revolving credit line	78,157	-	-	78,157
Total current liabilities	81,232	143,118	43,264	267,614
Non-current				
Tuition obligation	-	767,320	-	767,320
Revenue bonds and notes payable, net	115,253	-	-	115,253
Net pension liability	2,605	-	25,881	28,486
Net OPEB liability	1,849	-	17,114	18,963
Compensated absences	60	-	1,240	1,300
Total non-current liabilities	119,767	767,320	44,235	931,322
Total liabilities	200,999	910,438	87,499	1,198,936
DEFERRED INFLOWS OF RESOURCES				
Unamortized deferred amount on refunding	24,929	-	-	24,929
Pension related amounts	641	-	34,841	35,482
OPEB related amounts	653	-	28,478	29,131
Total deferred inflows of resources	26,223	-	63,319	89,542
NET POSITION				
Net investment in capital assets	-	-	1,100	1,100
Restricted for debt service	31,839	-	-	31,839
Restricted for federal grant programs	-	-	48,991	48,991
Unrestricted	23,340	(321,827)	(32,684)	(331,171)
Total net position	55,179	(321,827)	17,407	(249,241)
Total liabilities, deferred inflows or resources, and net position	$ 282,401	$ 588,611	$ 168,225	$ 1,039,237

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUNDS
Year Ended June 30, 2020
(Dollars in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Operating revenues				
Investment income				
Interest, student loans	$ 14,055	$ -	$ -	$ 14,055
Income - investments (net of closed end funds investment management fees of $868 and performance allocation of $2,105)	507	9,612	-	10,119
Interest, other	-	140	-	140
Total investment income	14,562	9,752	-	24,314
Other operating revenues				
Fees	53	236	-	289
Portfolio maintenance fees	-	-	1,523	1,523
Direct consolidation cost	-	-	5,263	5,263
Collections on student loans previously reimbursed by the U.S. Department of Education	-	-	9,210	9,210
Other	-	-	1,844	1,844
Total other operating revenues	53	236	17,840	18,129
Total operating revenues	14,615	9,988	17,840	42,443
Operating expenses				
Interest and other student loan expenses				
Interest expense				
Revenue bonds and notes	1,249	-	-	1,249
Other student loan fees	1,127	-	-	1,127
Provision for loan losses	3,178	-	-	3,178
Total interest and other student loan expenses	5,554	-	-	5,554
Other operating expenses				
Salaries and employee benefits	574	1,688	6,257	8,519
Pension expenses	(206)	-	(9,674)	(9,880)
OPEB expenses	(87)	-	(6,450)	(6,537)
Loan guarantee	-	-	77,616	77,616
External loan servicing	975	-	-	975
Accreted tuition expenses	-	31,562	-	31,562
Investment management fees	-	381	-	381
Investment advisory fees	-	1,171	-	1,171
Management and professional services	564	2,061	9,202	11,827
Depreciation	-	-	417	417
Other	15	-	-	15
Total other operating expenses	1,835	36,863	77,368	116,066
Total operating expenses	7,389	36,863	77,368	121,620
Operating income (loss)	7,226	(26,875)	(59,528)	(79,177)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUNDS
Year Ended June 30, 2020
(Dollars in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Non-operating revenues (expenses)				
Federal government special allowance and interest subsidy	$ (867)	$ -	$ -	$ (867)
Federal government	-	-	77,760	77,760
Interest revenue	-	-	1,799	1,799
Total Non-operating revenues (expenses)	(867)	-	79,559	78,692
Change in fund net position	6,359	(26,875)	20,031	(485)
Net Position, July 1, 2019	48,820	(294,952)	(2,624)	(248,756)
Net Position, June 30, 2020	$ 55,179	$ (321,827)	$ 17,407	$ (249,241)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2020
(Dollars 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	$ -	$ 235	$ 64,438	$ 64,673
Cash payments for tuition	-	(117,138)	-	(117,138)
Cash payments to suppliers for goods and services	(1,564)	(1,583)	(3,199)	(6,346)
Cash payments to employees for services	(576)	(1,688)	(8,078)	(10,342)
Cash payments for loan guarantees	-	-	(78,707)	(78,707)
Cash receipts from student loans and fees	46,641	-	-	46,641
Cash receipts from tuition contracts	-	7,964	-	7,964
Cash payments for student loans	(1,891)	-	-	(1,891)
Cash payments for refund of contracts	-	(26,598)	-	(26,598)
Cash payments for other operating activities	-	-	(52,036)	(52,036)
Net cash provided (used) by operating activities	42,610	(138,808)	(77,582)	(173,780)
Cash flows from noncapital financing activities				
Principal paid on revenue bonds and other borrowings	(37,776)	-	-	(37,776)
Interest paid on revenue bonds and other borrowings	(5,774)	-	-	(5,774)
Special allowance and interest subsidy	(158)	-	-	(158)
Transfers in	-	-	13,117	13,117
Transfers out	-	-	(13,117)	(13,117)
Federal government grants	-	-	80,767	80,767
Net cash provided (used) by noncapital financing activities	(43,708)	-	80,767	37,059
Cash flows from investing activities				
Purchase of investment securities	(44,424)	(149,307)	-	(193,731)
Proceeds from sales and maturities of investment securities	43,207	279,079	-	322,286
Interest and dividends on investments	262	8,297	1,906	10,465
Cash paid to investment managers	-	(381)	-	(381)
Net cash provided by investing activities	(955)	137,688	1,906	138,639
Increase (decrease) in cash and cash equivalents	(2,053)	(1,120)	5,091	1,918
Cash and cash equivalents, July 1, 2019	19,943	5,047	103,523	128,513
Cash and cash equivalents, June 30, 2020	$ 17,890	$ 3,927	$ 108,614	$ 130,431

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2020
(Dollars 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)	$ 7,226	$ (26,875)	$ (59,528)	$ (79,177)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	417	417
Investment income	(507)	(8,200)	-	(8,707)
Interest expense	1,249	-	-	1,249
Accreted tuition expense	-	31,562	-	31,562
Provision for loan losses	3,178	-	-	3,178
Change in assets, liabilities and deferred outflows/ inflows of resources				
Contracts receivable	-	6,685	-	6,685
Student loans receivable	35,200	-	-	35,200
Intergovernmental receivables	-	-	44	44
Accrued interest - loans and notes	(3,244)	-	-	(3,244)
Due from other ISAC funds	(147)	-	-	(147)
Due from other State funds	-	-	(177)	(177)
Other receivables	17	-	-	17
Accounts payable and accrued liabilities	(52)	253	(115)	86
Intergovernmental payables	-	-	(328)	(328)
Due to other ISAC funds	(16)	161	-	145
Due to other State funds and component units	-	64	70	134
Tuition obligation	-	(142,458)	-	(142,458)
Compensated absences	(2)	-	964	962
Deferred inflows related to pensions and OPEB	(743)	-	22,339	21,596
Deferred outflows related to pensions and OPEB	281	-	5,565	5,846
Net pension liability	(73)	-	(31,042)	(31,115)
Net OPEB liability	243	-	(15,791)	(15,548)
Total adjustments	35,384	(111,933)	(18,054)	(94,603)
Net cash provided (used) by operating activities	$ 42,610	$ (138,808)	$ (77,582)	$ (173,780)
Supplemental disclosure of noncash transactions:				
Net appreciation in fair value of investments	$ 245	$ (1,888)	$ -	$ (1,643)

See notes to the 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. The Commission fulfills this purpose by administering the following programs:

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 provided up to $5,340 in Fiscal Year 2020 for the payment of tuition and mandatory fees. The program is usually funded by the General Fund appropriation. In January 2020 ISAC implemented the alternative application process to serve students that qualify for MAP under The Retention of Illinois Students & Equity (RISE) Act. This allows eligible undocumented students and transgender students who are disqualified from federal financial aid to apply for all forms of state financial aid.

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 2020.

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 2020.

(Continued)

NOTE 1 - ORGANIZATION (Continued)

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.

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.

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.

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.

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.

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 physicians, certified nurse practitioners, registered professional nurses, certified nursing assistants or licensed practical nurses in a State of Illinois Veterans' Home to pursue and continue their careers at State of Illinois veterans' homes. The annual award to qualified registered professionals 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.

(Continued)

NOTE 1 - ORGANIZATION (Continued)

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.

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.

AIM HIGH Grant Program: In an effort to increase enrollment of Illinois residents at Illinois public universities, increase overall retention of Illinois college students in Illinois, and encourage Illinois residents to attain a college degree, State appropriated funds are to be used to enable Illinois public universities to establish a merit-based, means-tested award program known as the Aspirational Institutional Match Helping Illinois Grow Higher Education Grant Pilot Program (AIM HIGH) to make college more affordable at their campuses while reducing the amount of student loan debt. Each eligible public university campus must match those funds with non-loan financial aid for eligible students and maintain or exceed levels of financial aid to Illinois residents from Fiscal Year 2018. ISAC is responsible for administering the distribution of AIM HIGH grant funds to the public universities in compliance the AIM HIGH Program and Grant Agreement.

Ancillary Award Programs: The following Ancillary Award programs, funded by the General Fund or Education Assistance Fund, if appropriated, supplement the scholarship and grant programs listed above:

- Silas Purnell Illinois Incentive for Access Program (IIA)*
- Bonus Incentive Grant*
- Student to Student Program of Matching Grants*
- Merit Recognition Scholarships*
- Teach Illinois Scholarship Program*
- 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
- Grant Program for Medical Assistants in Training*
- Police Job Training Program*
- Community Behavioral Health Care Professional Loan Repayment Program*

* These programs were not funded in Fiscal Year 2020.

(Continued)

NOTE 1 - ORGANIZATION (Continued)

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.

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.

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.

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.

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.

(Continued)

NOTE 1 - ORGANIZATION (Continued)

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, 2020.

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 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.

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.

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 Fiscal Year 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.

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.

(Continued)

NOTE 1 - ORGANIZATION (Continued)

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP): GEAR UP is a federal discretionary grant program designed to increase the number of low-income students who are prepared to enter and succeed in postsecondary education. GEAR UP provides grants to states and partnerships at high-need middle and high schools. State grants are competitive matching grants that must include an early intervention component designed to increase college attendance and success and raise the expectations of low-income students.

ISAC was awarded a seven-year GEAR UP grant in late 2016 of approximately $2.65M per year. Over the course of seven years, ISAC and its program partners will use a cohort model to provide direct services to approximately 30,500 students in up to 25 middle schools and 25 high schools across Illinois.

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.

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.

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.

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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $1,249 (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.

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 2020, 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 fund of the State:

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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

Unexpended Appropriation: This "asset" account represents lapse period warrants issued between July and August for Fiscal Year 2020 in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

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.

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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2020 purchases) is included as investment income in the financial statements. Dividend and interest income are recorded in the period earned.

Contracts Receivable: Contracts receivable represents the amount the Program expects to receive from contract holders for contracts purchased on an installment basis. The actuarially determined present value of future contributions was $16,995 as of June 30, 2020 using a 5.75% discount rate. The Program expects to receive contributions totaling $4,953 in Fiscal Year 2021. 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.

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.

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.

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.

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.

(Continued)

(Dollars in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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.

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.

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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Premiums, Discounts, and Refunding Gains: In the government-wide and proprietary fund financial statements, debt premiums and discounts are 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 8) 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.

Tuition Obligation: The tuition obligation in the Illinois Prepaid Tuition Program represents the net contract face value for the 28,048 contracts held by the fund as of June 30, 2020, plus the actuarially-determined present value of future benefits the Program expects to provide to contract holders for all contracts.

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.

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.

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the Commission's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Illinois State Employees Group Insurance Program (SEGIP) and additions to/deductions from the SEGIP Plan's fiduciary net position have been determined on the same basis as they are reported by the SEGIP Plan. For this purpose, the SEGIP Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Coronavirus Implications: A novel strain of coronavirus has spread around the world, with resulting business and social disruption during fiscal year 2020. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

NOTE 3 - DEPOSITS AND INVESTMENTS

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.

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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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).

Investment Authority and Legal Compliance: The State Treasury is the custodian of the State's cash and cash equivalents for the Illinois Prepaid Tuition Program maintained in the State Treasury. The investment authority for the State Treasury is found in the State Treasurer Act (15 ILCS 505), which authorizes the State of Illinois primary government and its component units to engage in a wide variety of investment activities. For further details please refer to the State of Illinois Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained from the Illinois Office of the Comptroller at 325 West Adams, Springfield, Illinois 62704.

The Illinois Prepaid Tuition Program independently manages cash and cash equivalents maintained outside the State Treasury.

The Commission board members have ultimate responsibility for the success and safety of the investment program. Specific responsibilities of the Commission include, but are not limited to, the following:

1. Adopting a sound investment policy. The Policy may be modified from time to time by action of the Commission and shall be adopted annually by the Commission in accordance with the Act.
2. Adopting a sound asset allocation. The asset allocation shall be reviewed annually for reasonableness and a formal asset allocation study will be conducted at least every three years.
3. Approving any changes to the investment manager structure.
4. Approving the selection and termination of any investment service provider.
5. Monitoring and evaluating the investment performance of the Fund and ensuring the risk profile is consistent with Policy objectives.
6. Establishing the primary duties and responsibilities of those accountable for achieving and reviewing investment results.
7. Adopting and reviewing, at least annually, the diversity policies required by section 30(b-5) of the Prepaid Tuition Act (110 ILCS 979/30(b-5).

The Commission may not delegate its oversight and management responsibilities but will be assisted in its functions by other sub committees, panels and agency staff.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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 Illinois Prepaid Tuition Program.

The Commission appoints members to the panel in a manner consistent with the representation prescribed in the Act. The panel is required to annually review and advise the Commission on provisions of the strategic comprehensive investment plan.

The Investment Policy (Policy) represents the comprehensive investment plan as referred to in the Act. The Policy is reviewed by the Commission annually and identifies a set of investment objectives, guidelines, and performance standards for the investment of the assets of the Fund.

The Commission also appoints an Investment Committee consisting of at least three (3) members of the Commission with knowledge of investing. Investment Committee members are selected by the Chair of the Commission and approved by a vote of the Commission. The Investment Committee meets at least quarterly with the Chief Investment Officer and the Investment Consultant.

The Investment Committee is generally responsible for monitoring Fund investments and performance to ensure compliance with the Investment Policy and for considering investment initiatives for potential recommendation to the full Commission.

The Chief Investment Officer (CIO) is responsible for the day to day operation and oversight of the Fund and for coordinating the activities of the Investment Committee, the Investment Advisory Panel, and investment related activities of the Commission. The CIO reports directly to the Executive Director and has a “dotted-line” reporting relationship to the Commission. The CIO has the authority and responsibility to ensure that the Commission is adequately informed on matters and concerns relating to Fund investments. The CIO will work closely with the Executive Director, Investment Consultant and Investment Staff to carry out the duties and responsibilities of this role.

In accordance with the Prepaid Tuition Act, the Commission may arrange to compensate for personalized investment advisory services rendered with respect to any or all of the investments under its control to an investment advisor registered under Section 8 of the Illinois Securities Law of 1953 or any bank or other entity authorized by law to provide those services.

A qualified investment consultant, on an ongoing basis, evaluates the Illinois Prepaid Tuition Program. The primary role of the Investment Consultant is to provide the information, analysis, and advice required by the Investment Staff, Investment Advisory Panel, Investment Committee, and Commission to carry out their duties and to assist them in developing and implementing a prudent process for monitoring and evaluating Fund investments. The Investment Consultant will work closely with the CIO, but is expected to provide an independent perspective to the Investment Committee and Commission.

Written reports are provided to the Commission by the investment consultant no later than 45 days after the end of each calendar quarter. The CIO and investment consultant meet with the various investment managers on a regular basis to review the investment guidelines and the asset/liability structure of the Program. The investment consultant also assists the CIO, Investment Committee, Commission and the Investment Advisory Panel with the selection of investment managers and custodians.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The qualified investment consultant retained by the Commission is expected to provide an independent perspective within the parameters set forth in the investment policy guidelines. The Program has contracted with Callan LLC to evaluate the investment performance of the Illinois Prepaid Tuition Program on an ongoing basis.

The investment policy authorizes the Commission to utilize a third-party custodian to safe-keep the assets of the Fund and to provide reports on a monthly basis to all relevant parties. The custodian retained by the Commission is required to exercise discretion within the parameters set forth in the investment policy guidelines for the portfolio(s) they manage on behalf of the Fund.

The Custodian has three primary responsibilities, namely: (1) Safekeeping of Assets – custody, pricing and accounting and reporting of assets owned by the Fund; (2) Trade Processing – track and reconcile assets that are acquired and disposed; and, (3) Asset Servicing – maintain all economic benefits of ownership such as income collection, corporate actions, and proxy notification issues.

The Commission may direct that assets of the Program’s 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.

The Commission also authorizes the hiring of professional investment managers to manage the assets of the Fund. Investment managers are hired who, by their record and experience have demonstrated their fiduciary responsibility, their investment expertise, their investment experience, and their capacity to undertake the mandate for which they are being considered. Investment managers retained for the Illinois Prepaid Tuition Program acknowledge in writing that they are a fiduciary with respect to the Fund or that they are a fiduciary to a limited partnership or commingled fund in which the College Illinois Prepaid Tuition Trust Fund is an investor.

Unless otherwise exempt from registration, investment managers need to be currently registered and maintain registration as an investment advisor under the Investment Advisors Act of 1940, a bank (as defined in the Act), or an insurance company qualified to perform investment management services under the law of more than one state unless otherwise approved on an exception basis.

The Commission has established strict guidelines to ensure that hiring decisions are made in a full-disclosure environment characterized by competitive selection, objective evaluation, and proper documentation. The overriding consideration with respect to all decisions is that they shall be made solely in the best interest of participants and beneficiaries of the Fund.

The Illinois Prepaid Tuition Program investment policy dictates certain guidelines and restrictions that apply to each approved asset class. Such restrictions may include certain prohibited transactions, as well as restrictions on portfolio composition. In accordance with the investment policy approved on June 25, 2012, the Fund will not make any new direct private investments or new co-investments that are tied to a single company or investment.

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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. The Illinois Prepaid Tuition Program has no policy that would further limit the requirements under State law. As of June 30, 2020, the Illinois Prepaid Tuition Program's deposits held outside the State Treasury were not exposed to custodial credit risk.

Funds in the custody of the State Treasurer, or in transit, totaled $112,800 at June 30, 2020. 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, 2020, the Commission had no amounts that were uninsured and uncollateralized.

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, 2020, 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, 2020, IDAPP had money market funds of $12,004 and U.S. Treasury securities of $20,598; 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, 2020 are as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Government securities (U.S. Treasury bills/notes)	$ 20,598	0.30

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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, 2020, 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	$ 12,004	Aaa-mf

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, 2020.

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, 2020, 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 most recent revision to the investment policy in June 2020.

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.

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The asset allocation targets are reviewed annually for reasonableness in relation to significant economic and market changes or to changes in the investment objectives. A formal asset allocation study is conducted as directed, but at least every three years, to verify or provide a basis for revising the targets. 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.

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	17.00%	18.00%	15.00%	21.00%
Non-U.S. equity	17.00%	18.00%	15.00%	21.00%
Fixed income	39.00%	36.00%	33.00%	39.00%
High yield	6.00%	5.00%	4.00%	6.00%
REIT	6.00%	5.00%	3.00%	7.00%
Absolute return	6.00%	5.00%	3.00%	7.00%
Real estate	4.00%	5.00%	N/A	N/A
Infrastructure	2.00%	5.00%	N/A	N/A
Private equity	1.00%	1.00%	N/A	N/A
Cash	2.00%	2.00%	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.

Asset Class	Index	Weight
U.S. Equity	Russell 3000	18.00%
Non-U.S. Equity	MSCI ACWI xUS IMI	18.00%
Fixed Income	BC U.S. Aggregate	36.00%
High Yield	BofA MLHY Master II	5.00%
REIT	MSCI US REIT	5.00%
Absolute Return	90-day T Bills +4%	5.00%
Real Estate	NCREIF ODCE	5.00%
Infrastructure	90-day T Bills +4%	5.00%
Private Equity	Russell 3000	1.00%
Cash	90-day T-Bills	2.00%

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

ISAC has established investment guidelines for the investment managers and conducts thorough due diligence before the appointment of all investment managers. ISAC has retained Alinda Capital Partners, Ativo Capital Management, CM Growth Capital Partners LP, DDJ Capital Management, Dimensional Fund Advisors, Garcia Hamilton and Associates, Lyrical-Antheus Realty Partners, Mesirow Financial, Neuberger Berman, Pinnacle Asset Management, Portfolio Advisors, RhumbLine Advisers, Security Capital Research and Management, State Street Global Advisors, T. Rowe Price Associates and The Rohatyn Group as investment managers to assist with the investment of the Program.

Use of funds invested on behalf of the 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, 2020, 17.7% of the funds were invested in Domestic Equities, 35.8% in Fixed Income,17.1% in International Equities, 5.2% in Infrastructure Funds, 4.7% in Absolute Return Funds, 1.6% in Private Equity Funds, 7.0% in Real Estate, 5.0% in Real Estate Investment Trust, 5.2% in High Yield, and 0.7% 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 – amortized 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.

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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 $0.3 million to private equity partnerships and $7.3 million to infrastructure funds as of June 30, 2020.

Recoverable taxes are taxes paid by legacy international equity investment managers to foreign governments. ISAC's custodian then reclaims tax withheld on dividends and interest in markets where tax reclaim benefits are available. These legacy investment managers no longer have assets under management. Their accounts at the custodian consist solely of recoverable taxes.

The Illinois Prepaid Tuition Program's cash recoverable taxes and investments at June 30, 2020 are presented below by investment type and by investment manager:

Investment Managers
Asset Allocation at June 30, 2020

Asset Class	Investment Manager	Fair Value	Asset Allocation
All-cap core equity	Rhumbline Advisers	$ 101,285	17.72 %
Total domestic equity		101,285	17.72
International equity	Ativo	47,516	8.31
International equity	Dimensional Fund Advisors	50,305	8.80
International equity recoverable taxes	Northern Trust	26	-
Total international equity		97,847	17.11
Fixed Income - Passive Core	State Street Global Advisors	68,692	12.02
Fixed Income - Core Plus	T. Rowe Price	73,757	12.90
Fixed income - U.S. intermediate	Garcia Hamilton	62,090	10.86
Total fixed income		204,539	35.78
High yield	DDJ Strategic Income Plus	30,012	5.25
Total high yield		30,012	5.25
REIT Preferred Growth	Security Capital Research	28,551	4.99
Total REIT		28,551	4.99
Real estate - private equity	Mesirow	113	0.02
Real estate - private equity	Lyrical-Antheus	39,674	6.94
Total real estate		39,787	6.96
Infrastructure - diversified value add	Alinda Infrastructure	14,242	2.49
Infrastructure - Asia opportunities	The Rohatyn Group	15,688	2.74
Total infrastructure		29,930	5.23
Absolute return fund - conservative	Neuberger Berman	25,311	4.43
Absolute return fund - commodities	Pinnacle Natural Resources	1,459	0.26
Total absolute return funds		26,770	4.69
Private equity secondary FoFs	CM Growth Capital Partners LP	6,325	1.11
Private equity secondary FoFs	Portfolio Advisors	2,640	0.46
Total private equity		8,965	1.57
Total investments		567,686	99.30
Cash and equivalents	Northern Trust	2,002	0.35
Cash and equivalents	Illinois Treasury and lock box	1,925	0.35
Total cash equivalents		3,927	0.70
Total portfolio		$ 571,613	100.00 %

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (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 $381 for the year ended June 30, 2020 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 Fiscal Year 2020 amounts to $1,171.

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 the 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:

- Lyrical-Antheus Realty Partners
- Mesirow Financial
- Alinda Capital Partners
- The Rohatyn Group
- CM Growth Capital Partners
- Portfolio Advisors
- Morgan Stanley AIP

Approximately $868 in investment advisory fees and $2,105 in performance allocation fees are included in the amount reported for income from investment securities for the Fiscal Year ending June 30, 2020 and is accounted for as a part of the income from investment securities 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.

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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.

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:

	Average Duration	Bloomberg Aggregate Bond Index	Bloomberg Int. Government/ Credit Index
Garcia Hamilton	3.1 Years	N/A	4.1 Years
SSGA U.S. Aggregate Bond Index (common collective trust)	6.1 Years	6.0 Years	N/A
T. Rowe Price	6.0 Years	6.0 Years	N/A

Portfolio Weighted Average Maturity

Portfolio Weighted Average		
Investment Type	Fair Value	Weighted Average Maturity (in Years)
U.S. Treasury notes	$ 655	4.72
U.S. Treasury bonds	3,937	28.26
U.S. agency obligations	22,671	1.22
Bond common collective trust	68,692	8.02
Municipal/provincial bonds	1,278	15.26
Non U.S. government bonds denominated in U.S. dollars	2,618	10.53
Non U.S. government bonds denominated in foreign currency	1,255	10.79
Multi-sector funds	46,428	7.41
Government agency short-term bills and notes	1,386	0.91
Corporate debt securities	37,943	6.98
Corporate asset-backed securities	5,551	14.16
Mortgage back securities (MBS):		
Government agencies	3,116	17.35
Non-government backed	4,415	33.29
Commercial	3,804	26.63
Total fair value	$ 203,749	
Portfolio weighted average maturity		8.56

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (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, 2020, 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, 2020

	Total Fair Value	Moody's**
Money marketing mutual funds	$ 5,810	NR
Illinois fund	41	NR
Bond common collective trust	68,692	NR
Multi-sector funds	46,428	NR
Non U.S. government bonds denominated in foreign currency	1,255	NR
Government agency short-term bills and notes	1,386	Aaa
U.S. agency obligations	22,671	Aaa

*NR - Not rated

Credit Ratings (Multiple-Rated Securities)
June 30, 2020

Rating Agency		Credit Rating*	Total Fair Value
Moody's	Commercial mortgage-backed	Aaa	$ 508
	Commercial mortgage-backed	Aa	289
	Commercial mortgage-backed	A	246
	Commercial mortgage-backed	Ba	348
	Commercial mortgage-backed	Baa	230
	Commercial mortgage-backed	NR	2,183
			3,804

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Ratings (Multiple-Rated Securities)
June 30, 2020

Rating Agency		Credit Rating*	Total Fair Value
Moody's	Corporate asset backed securities	Aaa	$ 1,436
	Corporate asset backed securities	Aa	1,545
	Corporate asset backed securities	A	96
	Corporate asset backed securities	Baa	77
	Corporate asset backed securities	Ba	94
	Corporate asset backed securities	NR	2,303
			5,551
Moody's	Corporate bonds	A	36,163
	Corporate bonds	Baa	773
	Corporate bonds	NR	1,007
			37,943
Moody's	Municipal/provincial bonds	Aaa	233
	Municipal/provincial bonds	Aa	757
	Municipal/provincial bonds	A	125
	Municipal/provincial bonds	NR	68
	Municipal/provincial bonds	WR	95
			1,278
Moody's	Non-government backed CMOs	Aaa	310
	Non-government backed CMOs	Aa	600
	Non-government backed CMOs	A	138
	Non-government backed CMOs	NR	3,367
			4,415
Moody's	Non-U.S. government bonds in U.S. dollars	Aa	238
	Non-U.S. government bonds in U.S. dollars	A	780
	Non-U.S. government bonds in U.S. dollars	Baa	857
	Non-U.S. government bonds in U.S. dollars	Ba	368
	Non-U.S. government bonds in U.S. dollars	NR	375
			2,618

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Ratings (Multiple-Rated Securities)
June 30, 2020

Rating Agency		Credit Rating*	Total Fair Value
Moody's	Mortgage-backed securities, government agencies	Aaa	148
	Mortgage-backed securities, government agencies	A	84
	Mortgage-backed securities, government agencies	Baa	162
	Mortgage-backed securities, government agencies	Ba	181
	Mortgage-backed securities, government agencies	NR	2,541
			3,116

* 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.

The Illinois Prepaid Tuition Program is not exposed to custodial credit risk at June 30, 2020.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an 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, 2020, there were no investments subject to concentration of credit risk.

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (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, 2020, 17.1% is invested in international equities all denominated in U.S. dollars.

Certain alternative investments also hold investments located outside of the United States. These investments denominated in U.S. dollars have underlying investments in other currencies including the Indian rupee. 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, 2020
Fair Value in U.S. Dollars

Foreign Currency Denomination	Cash and cash Equivalents	Fixed Income	Pending Trades Fixed Income Investments	Totals
Euro	$ 1	$ 1,255	$ (1,237)	$ 19
Total	$ 1	$ 1,255	$ (1,237)	$ 19

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND 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 40-41); and leveling is not required for investments held at amortized cost. The Program has the following as of June 30, 2020:

Investments Measured at Fair Value

Investments by fair value level	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Leveling Not Required
Debt securities				
U.S. Treasury notes	$ 655	$ -	$ 655	$ -
U.S. Treasury bonds	3,937	-	3,937	-
U.S. agency obligations	22,671	-	22,671	-
Municipal/provincial debt	1,278	-	1,278	-
Corporate debt securities	37,943	-	37,943	-
Corporate asset-backed securities	5,551	-	5,551	-
Foreign government bonds denominated in U.S. dollars	2,618	-	2,618	-
Foreign debt securities (non U.S. government bonds denominated in foreign currency)	1,255	-	1,255	-
Government agency short-term bills and notes	1,386	-	1,386	-
Commercial mortgage backed	3,804	-	3,804	-
Government mortgage backed	3,116	-	3,116	-
Multi-sector funds	46,428	-	46,428	-
Common collective trust	68,692	-	68,692	-
Non government backed CMO	4,415	-	4,415	-
Corporate equity securities	101,285	101,285	-	-
Foreign equity securities	50,305	50,305	-	-
Money market mutual funds	5,810	-	-	5,810
Cash and pending trades	(1,780)	-	-	(1,780)
Cash and pending trades in foreign currency	(1,237)	-	-	(1,237)
Equity in public treasurer's investment pool (Illinois Funds)	41	-	-	41
Total investments by fair value level	$ 358,173	$ 151,590	$ 203,749	$ 2,834

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments measured at the net asset value (NAV)		June 30, 2020
Real estate investment trust	$	28,551
Real estate		39,787
Private equity		8,965
Infrastructure		29,930
Foreign equity		47,516
Absolute return		26,770
High yield fund		30,012
Total investment measured at the NAV	$	211,531
Total investments measured at fair value or amortized cost	$	569,704

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	$	28,551	$	-	Quarterly	30 days notice
Real estate		39,787		-	n/a	n/a
Private equity		8,965		313	n/a	n/a
Infrastructure		29,930		7,344	n/a	n/a
Foreign equity		47,516		-	Monthly	15 days notice
Absolute return		26,770		-	Annual	65 and 180 days notice
High yield fund		30,012		-	Quarterly	60 days notice
Total investments measured at NAV	$	211,531	$	7,657		

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.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Real estate: This type includes two 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 investment 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. Private market investments are illiquid in nature. Distributions from each fund will be received as the underlying investments of the funds are liquidated by the general partner. It is expected that the underlying assets of the funds will be liquidated over the next six years with 10% and 100% (varies by investment manager) within state Fiscal Year 2021.

Private equity: This type includes two private equity funds. One holds portfolio securities. The second 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. Private market investments are illiquid in nature. Distributions from each fund will be received as the underlying investments of the funds are liquidated by the general partner. It is expected that the underlying assets of the funds will be liquidated over the next four years with 0% to 15% (varies by investment manager) within state Fiscal Year 2021.

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 investment in partners' capital. Private market investments are illiquid in nature. Distributions from each fund will be received as the underlying investments of the funds are liquidated by the general partner. It is expected that the underlying assets of the funds will be liquidated over the next five years with 10% to 20% (varies by investment manager) within state Fiscal Year 2021.

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 investment 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.

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 investment 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, 2020, $91 was held in a liquidating account related to prior redemptions.

Foreign equity: This type includes two international equity funds. DFA World ex US Core Equity Portfolio is a mutual fund. They strike a daily price each evening following a trading day. The other fund Ativo International Equity Fund invests in undervalued companies that display above average growth characteristics, domiciled in, or primarily exposed to developed and emerging countries outside of the United States.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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.

During Fiscal Year 2020, 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, 2020 were $14,408 and $19,118, respectively.

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.

(Continued)

NOTE 4 - STUDENT LOANS RECEIVABLE

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 $296 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, 2020.

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 $134,907 at June 30, 2020. Of this amount, $73,399 was recorded as a provision for loan losses.

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 $75,679 as of June 30, 2020. 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, 2020 as reported by ISAC was $47,183. Restricted net position, which includes $9,528 of claims in process, was $48,991. 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 $180,764 at June 30, 2020 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.

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, 2020 was $535.

(Continued)

(Dollars in thousands)

NOTE 5 - FEDERAL SPECIAL ALLOWANCE AND INTEREST SUBSIDY

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.

Federal interest benefits	$ 747
Special allowance payments (interest subsidy)	419
Excess interest	(2,033)
Net expense incurred to DOE	$ (867)

NOTE 6 - INTERFUND BALANCES AND ACTIVITY

Balances Due To/From Other Funds: The balances at June 30, 2020 represent amounts due from other ISAC and State funds and component units as follows:

	Due from Primary Government Funds		Due From Component Units	
Fund	ISAC	Other State	Units	Description/Purpose
Education Assistance	$ -	$ -	$ -	Due from State universities for scholarship and grants.
	-	-	-	
Illinois Designated Account Purchase Program	147	-	-	Due from FSLRF for FTO refunds paid on ISAC's behalf
	147	-	-	
Nonmajor Enterprise - Federal Student Loan Reserve	1	-	-	Due from IDAPP Fund for returned FTO refund
Student Loan Operating	1,989	-	-	Due from IDAPP Fund for shared services
	340	-	-	Due from Illinois Prepaid Tuition Fund for shared services
	-	37	-	Due from Department of Veterans' Administration for rent and expenses.
	-	72	-	Due from Central Management Services (on behalf of DCFS) for rent and expenses.
	-	2	-	Due from Healthcare and Family Services for rent and expenses.
	2,330	111	-	
	$ 2,477	$ 111	$ -	

(Continued)

(Dollars in thousands)

NOTE 6 - INTERFUND BALANCES AND ACTIVITY (Continued)

The balances at June 30, 2020 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
General	$ -	$ -	$ 34,995	Due to State universities for scholarship and grants.
	-	-	34,995	
Education Assistance	-	-	26	Due to State universities for scholarship and grants.
	-	-	26	
Illinois Designated Account Purchase program	1,989	-	-	Due to Student Loan Operating Fund for shared services.
	1	-	-	Due to Federal Student Loan Reserve Fund for returned FTO refund
	1,990	-	-	
Nonmajor Enterprise -				
Federal Student Loan Reserve	147	-	-	Due to IDAPP for FTO refunds paid on ISAC's behalf
Student Loan Operating	-	284	-	Due to Central Management Services for EDP, communications and garage fund
	-	-	2	Due to State university for professional development services
	147	284	2	
Illinois Prepaid Tuition Program	340	-	-	Due to Student Loan Operating Fund for shared services
	-	64	-	Due to Auditor General for audit expense.
	-	-	10	Due to State universities for payment of tuition contracts
	340	64	10	
	$ 2,477	$ 348	$ 35,033	

(Continued)

(Dollars in thousands)

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Governmental activities				
Capital assets not being depreciated:				
Land	$ 2,700	$ -	$ -	$ 2,700
Capital assets being depreciated:				
Buildings	19,229	-	-	19,229
Equipment	24	-	-	24
Total capital assets being depreciated	19,253	-	-	19,253
Less accumulated depreciation:				
Buildings	(12,817)	(504)	-	(13,321)
Equipment	(24)	-	-	(24)
Total accumulated depreciation	(12,841)	(504)	-	(13,345)
Total capital assets being depreciated, net	6,412	(504)	-	5,908
Governmental activities capital assets, net	$ 9,112	$ (504)	$ -	$ 8,608

(Continued)

(Dollars in thousands)

NOTE 7 - CAPITAL ASSETS (Continued)

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Business-type activities				
Illinois Designated Account Purchase Program Fund:				
Capital assets being depreciated				
Equipment	$ 205	$ -	$ -	$ 205
Less accumulated depreciation				
Equipment	(205)	-	-	(205)
Total capital assets being depreciated, net	-	-	-	-
Nonmajor Enterprise Funds:				
Capital assets not being depreciated				
Construction in progress	-	-	-	-
Capital assets being depreciated				
Equipment and automobiles	948	-	-	948
Internally generated software	3,357	-	-	3,357
Less accumulated depreciation				
Equipment and automobiles	(522)	(81)	-	(603)
Internally generated software	(2,266)	(336)	-	(2,602)
Total capital assets being depreciated, net	1,517	(417)	-	1,100
Business-type activities capital assets, net	$ 1,517	$ (417)	$ -	$ 1,100

Depreciation expense for governmental activities on the Government-wide Statement of Activities for the year ended June 30, 2020 amounted to $504. Of that amount, 100% was charged to the Scholarships, awards and grants function.

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

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.

(Dollars in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE (Continued)

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 and the Class A-2 tranches have been paid off. The total principal and interest remaining to be paid on the bonds is approximately $178,003. 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, 2020, variable interest rates were 1.891380% for the LIBOR FRN Class A-3.

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 $22,576 and $3,691, respectively. Total related student loan principal and interest received were $23,295 and $4,120, 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 2020 is $4,043. Amortization is included as a reduction of interest expense on the Statement of Revenues, Expenses, and Changes in Fund Net Position.

Changes in Long-Term Obligations: Changes in long-term obligations for the year ended June 30, 2020, were as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Amounts Due Within One Year
Governmental activities					
Other long-term obligations					
Compensated absences	$ 1,425	$ 449	$ (1,203)	$ 671	$ 70
	$ 1,425	$ 449	$ (1,203)	$ 671	$ 70
Business-type activities					
Illinois Designated Account Purchase Program Fund:					
Revenue bonds/notes payable:					
Series 2010, Class A-3	$ 143,046	$ -	$ (22,576)	$ 120,470	$ -
Unamortized discounts	(5,426)	-	209	(5,217)	-
Other long-term obligations					
Compensated absences	69	33	(35)	67	7
Total Illinois Designated Account Purchase Program	137,689	33	(22,402)	115,320	7
Illinois Prepaid Tuition Program					
Tuition obligation	1,018,997	32,841	(143,736)	908,102	140,782
Total Illinois Prepaid Tuition Program	1,018,997	32,841	(143,736)	908,102	140,782
Nonmajor Enterprise Fund:					
Compensated absences	415	890	74	1,379	139
Total Nonmajor Enterprise Fund	415	890	74	1,379	139
Total Business-type activities Long-term obligations, net	$ 1,157,101	$ 33,764	$ (166,064)	$ 1,024,801	$ 140,928

(Continued)

(Dollars in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE (Continued)

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, 2020. 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
2021	$ -	$ 2,278	$ 2,278
2022	-	2,278	2,278
2023	-	2,278	2,278
2024	-	2,278	2,278
2025	-	2,278	2,278
2026-2030	-	11,394	11,394
2031-2035	-	11,393	11,393
2036-2040	-	11,393	11,393
2041-2045	-	11,393	11,393
2046	120,470	570	121,040
	120,470	$ 57,533	$ 178,003
Plus (minus)			
Unamortized discounts	(5,217)		
Net long-term principal outstanding	$ 115,253		

(Continued)

(Dollars in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE (Continued)

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, 2020. See actuarial assumptions and additional information in Note 13.

Tuition obligation activity for the year ended June 30, 2020, is as follows:

Balance, July 1, 2019	$	1,018,997
Add:		
Contributions received in FY 2020		7,964
Change in contracts receivable, at present value*		(6,685)
Adjust tuition obligation based on actuarial valuation		31,562
Less:		
Return of contributions		(26,598)
Tuition payments		(117,138)
Balance as of June 30, 2020 **	$	908,102
Reported as:		
Current	$	140,782
Noncurrent		767,320
	$	908,102

* Discount rate used in determining fair value was 5.75%.

** 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. 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, 2020 was 0.17263%.

(Dollars in thousands)

NOTE 9 - MID-TERM CREDIT FACILITY AND SHORT-TERM REVOLVING CREDIT LINE AND PLEDGED REVENUES (Continued)

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.

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 2020 there was $13,979 in principal and $3,836 in interest collected all of which was transferred to the trust. During the same period the trust paid $2,091 for interest expense and other professional fees and $917 for servicing fees. Changes in the revolving credit line are as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Amounts Due Within One Year
Citibank	$ 93,357	$ -	$ (15,200)	$ 78,157	$ 78,157

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, 2020.

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 of Illinois 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.

(Continued)

(Dollars in thousands)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

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, PO Box 19255, Springfield, Illinois, 62794-9255.

Benefit Provisions: SERS provides retirement benefits based on the member's final average compensation and the number of years of service credit that have been established. The retirement benefit formula available to general State employees that are covered under the Federal Social Security Act is 1.67% for each year of service and for noncovered employees it is 2.2% for each year of service. The maximum retirement annuity payable is 75% of final average compensation for regular employees and 80% for alternative formula employees. The minimum monthly retirement annuity payable is $15 (whole dollars) for each year of covered service and $25 (whole dollars) for each year of noncovered service.

Members in SERS under the 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 8 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.	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 $107. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.

(Continued)

(Dollars in thousands)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Regular Formula Tier 1	Regular Formula Tier 2
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.	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 2019 rate is $115. 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.

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 18 months of credited service with 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 nonoccupational death benefits are also available through the System. Certain nonoccupational death benefits vest after 18 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 $107 with limitations for future years increased by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2020, this amount was $116.

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

The State is required to make payment for the required Commission's 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 2020, 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 2020, the employer contribution rate was 54.290%. The Commission's contribution amount for fiscal year 2020 was $3,278. In addition, the Commission recorded $3,936 of revenue and expenditures in the General Revenue account of the General Fund to account for payments to SERS for Commission employees that were paid from statewide General Revenue Fund appropriations.

Pension liability, deferred outflows of resources, deferred inflows of resources and expense related to pensions: At June 30, 2020, the Commission reported a liability of $93,228 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, 2019 (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 the Commission's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2019. As of the current year measurement date of June 30, 2019, the Commission's proportion was 0.279%, which was a decrease of 0.03% from its proportion measured as of the prior year measurement date of June 30, 2018.

For the year ended June 30, 2020, the Commission recognized pension expense of $4,327. At June 30, 2020, the Commission reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2019, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,167
Changes in assumptions	2,599	1,347
Net difference between projected and actual investment earnings on pension plan investments	-	137
Changes in proportion	35,330	42,735
Commission contributions subsequent to the measurement date	7,214	-
Total	$ 45,143	$ 45,386

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

$7,214 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

Year Ended June 30,		Amount
2021	$	(1,773)
2022		(2,638)
2023		(1,709)
2024		(1,337)
Thereafter		-
Total	$	(7,457)

Actuarial Methods and Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.25%

Investment Rate of Return: 6.75%, net of pension plan investment expense, including inflation.

Projected salary increases: 2.75% - 7.17%, 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 lesser 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, 2019 valuation pursuant to an experience study of the period July 1, 2015 – June 2018.

Mortality: Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018.

(Continued)

(Dollars in thousands)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

The actuarial assumptions used to calculate the total pension liability as of the current year measurement date are consistent with the actuarial assumptions used to calculate the total pension liability as of the prior year measurement date except for the following:

The rate of inflation decreased from 2.50% to 2.25%.

The investment rate of return decreased from 7.00% to 6.75%.

The projected salary increase range changed from 3.00% - 7.42% to 2.75% - 7.17%.

The retirement age experience study was updated to July 2015 – June 2018.

The mortality rate was updated from using the 105 percent of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added.

The long-term expected real rate of return on pension plan investments is determined using the best estimates of geometric real rates of 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 and by adding expected inflation. 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, 2019, the best estimates of geometric real rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	23.0%	4.80%
Developed Foreign Equity	13.0%	4.60%
Emerging Market Equity	8.0%	6.90%
Private Equity	7.0%	6.80%
Intermediate Investment Grade Bonds	14.0%	0.70%
Long-term Government Bonds	4.0%	1.00%
TIPS	4.0%	0.80%
High Yield and Bank Loans	5.0%	2.70%
Opportunistic Debt	8.0%	4.20%
Emerging Market Debt	2.0%	2.70%
Real Estate	10.0%	4.40%
Infrastructure	2.0%	4.10%
	100.0% %	

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate: A discount rate of 6.47% was used to measure the total pension liability as of the measurement date of June 30, 2019 as compared to a discount rate of 6.81% used to measure the total pension liability as of the prior year measurement date. The June 30, 2019 single blended discount rate was based on the expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 3.13%, 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 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, 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 (amounts expressed in thousands):

	1% Decrease 5.47%	Discount Rate 6.47%	1% Increase 7.47%
Commission's proportionate share of the net pension liability	$112,748	$ 93,228	$77,179

Payables to the pension plan: At June 30, 2020, the Commission reported a payable of $163 to SERS for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

NOTE 12 - POST-EMPLOYMENT BENEFITS

Plan description. The State Employees Group Insurance Act of 1971 (“Act”), as amended, authorizes the Illinois State Employees Group Insurance Program (“SEGIP”) to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the Commission’s full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System (“GARS”), Judges Retirement System (“JRS”), State Employees’ Retirement System of Illinois (“SERS”), Teachers’ Retirement System (“TRS”), and State Universities Retirement System of Illinois (“SURS”) are eligible for these other post-employment benefits (“OPEB”). The eligibility provisions for each of the retirement systems are defined within Note 11. Certain TRS members eligible for coverage under SEGIP include certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees and members with certain reciprocal service.

The Department of Central Management Services administers these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (GARS, JRS, SERS, TRS and SURS). The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan. The plan does not issue a stand-alone financial report.

(Continued)

NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

Benefits provided. The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with limitations established in the Act. Therefore, the benefits provided, and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes $5.

Funding policy and annual other postemployment benefit cost. OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2020, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $12 ($7 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $15 ($6 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Contribution**.** The Commission's contribution amount to SEGIP for fiscal year 2020 was $664. In addition, the Commission recorded $3,237 of revenue and expenditures in the General Revenue account of the General Fund to account for contributions to SEGIP for Commission's employees that were paid from statewide General Revenue Fund appropriations.

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB. The total OPEB liability, as reported at June 30, 2020, was measured as of June 30, 2019, with an actuarial valuation as of June 30, 2018. At June 30, 2020, the Commission recorded a liability of $83,347 for its proportionate share of the State's total OPEB liability. The Commission's portion of the OPEB liability was based on the Commission's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2019. As of the current year measurement date of June 30, 2019, the Commission's proportion was 0.190%, which was an increase of 0.006% from its proportion measured as of the prior year measurement date of June 30, 2018.

(Continued)

NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

The Commission recognized OPEB expense for the year ended June 30, 2020, of $4,012. At June 30, 2020, the Commission reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2019, from the following sources (amounts expressed in thousands):

Deferred outflows of resources		
Differences between expected and actual experience	$	120
Changes of assumptions		2,898
Changes in proportion and differences between employer contributions and proportionate share of contributions		37,491
Commission benefits paid subsequent to the measurement date		2,132
Total deferred outflows of resources	$	42,641
Deferred inflows of resources		
Differences between expected and actual experience	$	1,272
Changes of assumptions		5,142
Changes in proportion and differences between employer contributions and proportionate share of contributions		34,518
Total deferred inflows of resources	$	40,932

The amounts reported as deferred outflows of resources related to OPEB resulting from Commission benefits paid subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Year Ended June 30,	Amount
2021	$ (1,325)
2022	(1,325)
2023	664
2024	1,383
2025	180
Total	$ (423)

(Continued)

(Dollars in thousands)

NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

Actuarial methods and assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2018, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2018.

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.50%
Projected Salary Increases*	2.75% - 12.25%
Discount Rate	3.13%
Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8.00% grading down 0.50% in the first year to 7.50%, then grading down 0.11% in the second year to 7.39%, followed by grading down of 0.50% per year over 5 years to 4.89% in year 7
Medical (Post-Medicare)	9.00% grading down 0.500% per year over 9 years to 4.50%
Dental and Vision	6.00% grading down 0.50% per year over 3 years to 4.50%
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2018 and 2019 are based on actual premiums. Premiums after 2019 were projected based on the same healthcare cost trend rates applied to per capita claim costs but excluding the additional trend rate that estimates the impact of the Excise Tax.

* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.

Since the last measurement date on June 30, 2019, the State has not made any significant changes to the benefit terms affecting the measurement of the collective total OPEB liability. On December 20, 2019, the Further Consolidated Appropriations Act, 2020 (Public Law 116-94) was signed into law repealing the federal excise taxes of 40% on total employer premium spending in excess of specified dollar amounts, also known as the "Cadillac Tax." The impact of this repeal to the Commission's financial statements, which could be significant, is not known at this time.

(Continued)

(Dollars in thousands)

NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

Additionally, the demographic assumptions used in the this OPEB valuation are identical to those used in the June 30, 2018 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study^	Mortality^^
GARS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
JRS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
SERS	July 2012 - June 2015	105 percent of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added
TRS	July 2014 - June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017
SURS	July 2014 - June 2017	RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants

^ The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined. A modified experience review was completed for SERS for the 3-year period ending June 30, 2015. Changes were made to the assumptions regarding investment rate of return, projected salary increases, inflation rate, and mortality based on this review. All other assumptions remained unchanged.

^^ Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

Discount rate. Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on an index of 20-year general obligation bonds with an average AA credit rating as published by the Federal Reserve. A single discount rate of 3.62% at June 30, 2018, and 3.13% at June 30, 2019, was used to measure the total OPEB liability.

(Continued)

NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

Sensitivity of total OPEB liability to changes in the single discount rate. The following presents the plan's total OPEB liability, calculated using a Single Discount Rate of 3.13%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.13%) or lower (2.13%) than the current rate (amounts expressed in thousands):

	1% Decrease (2.13%)	Current Single Discount Rate Assumption (3.13%)	1% Increase (4.13%)
Commission's proportionate share of total OPEB liability	$ 98,162	$ 83,346	$ 71,495

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the plans total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands). The key trend rates are 8.0% in 2020 decreasing to an ultimate trend rate of 4.89% in 2027, for non-Medicare coverage, and 9.0% decreasing to an ultimate trend rate of 4.5% in 2029 for Medicare coverage.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
Commission's proportionate share of total OPEB liability	$ 69,886	$ 83,346	$ 100,780

NOTE 13 - FUND BALANCES AND NET POSITION

Deficit in Fund Net Position: As of June 30, 2020, the Illinois Prepaid Tuition Program has a deficit in net position of $321,827. 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, 2020.

Unfunded liability per actuarial soundness report	$ (340,312)
Present value of accrued future administrative expense	20,819
Other accrued liabilities	(2,334)
Fund deficit per Statement of Net Position	$ (321,827)

(Continued)

NOTE 13 - FUND BALANCES AND NET POSITION (Continued)

Program Risks and Actuarial Data: The Illinois Prepaid Tuition Program's ability to honor existing and future contracts depends primarily upon two factors: (i) achieving a projected annual net return on Program investments; and (ii) 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, as of June 30, 2020 to evaluate the financial viability of the Program as of June 30, 2020. The complete Actuarial Soundness Report as of June 30, 2020 is included in the Other Information Section.

As detailed in the attached Actuarial report the Program enrollment has been on hold and will continue to be on hold for the 2020/2021 enrollment period pending continuing discussion with policymakers to help define and advance proposals that will strengthen the Program. The Program continues to operate as usual with no change in benefits, customer service, or plan administration. Those with beneficiaries in college continue to see benefit payments paid as usual. The Program retains a substantial investment portfolio in a separate fund to pay obligation for a number of years without requiring funding from the state. Based on the current actuarial soundness report, funds would be sufficient to cover payments through Fiscal Year 2024 even if the program never sold another contract.

The Program is not supported by the full faith and credit of the State of Illinois, nor is it guaranteed by the State's general fund. The Program is a moral obligation of the State of Illinois 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 of Illinois 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.

(Continued)

(Dollars in thousands)

NOTE 13 - FUND BALANCES AND NET POSITION (Continued)

APV of future benefits obligation*	$ 908,102
Funded ratio	63.40%
Actuarial assumptions:	
Actuarial valuation date	June 30, 2020
Assumed net investment return	5.75% in FY21 then grading down in annual increments of 0.563 to an ultimate investment rate of 3.50 percent for fiscal years on and after 2025
Rates of cancelation	Varies according to years from projected college entrance year
Tuition increase all contract types:	
All future years	4.75%

* For all existing contracts as of June 30, 2020

The actuarial present value of the future benefits obligation decreased by approximately $111 million compared to the balance reported at June 30, 2019. Contributing to the overall decrease was tuition paid.

Restrictions and Commitments: As of June 30, 2020, the Commission reported the following net position restrictions and fund balance commitments:

The Illinois Designated Account Purchase Program reported $31,839 of net position restricted for debt service. The Federal Student Loan Fund reported $48,991 of net position restricted for federal programs (loan guarantees). The Contract and Grant Fund reported $3 in fund balance restricted per terms of grant. The ISAC Accounts Receivable Fund and the University Grant Fund reported $135 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 $120 in 2020. There are no future minimum rental commitments for non-cancelable operating leases to be satisfied by future Commission appropriations.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR GOVERNMENTAL FUND
GENERAL FUND - BUDGETARY BASIS
Year Ended June 30, 2020
(Dollars 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	$ 493,490	$ 493,490	$ 491,369	$ 491,369	$ (2,121)
Education assistance account	11,151	11,151	10,316	10,316	(835)
Advancement of Education	-	-	(41)	(41)	(41)
Combined totals	504,641	504,641	501,644	501,644	(2,997)
Expenditures (outflows)					
Education					
Program, administration, and capital outlay					
General revenue account	493,490	493,490	492,555	492,555	935
Education assistance account	11,151	11,151	10,316	10,316	835
Advancement of Education	-	-	(41)	(41)	41
Combined totals	504,641	504,641	502,830	502,830	1,811
Net change in fund balance	$ -	$ -	(1,186)	(1,186)	$ (1,186)
Fund balance, July 1, 2019			4,227	4,227	
Fund balance, June 30, 2020			$ 3,041	$ 3,041	

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	$ 491,369
Total revenues on the GAAP basis	$ 491,369

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING SCHEDULES OF ACCOUNTS
GENERAL FUND
June 30, 2020
(Dollars in thousands)

	General Revenue Account	Educational Assistance Account	Advancement of Education Account	Total
ASSETS				
Unexpended appropriations	$ 35,463	$ 594	$ -	$ 36,057
Notes receivable, net of allowance of $29,548	3,041	-	-	3,041
Total assets	$ 38,504	$ 594	$ -	$ 39,098
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	$ 468	$ 568	$ -	$ 1,036
Due to State of Illinois component units	34,995	26	-	35,021
Total liabilities	$ 35,463	$ 594	$ -	$ 36,057
Fund balances				
Nonspendable, notes receivable	3,041	-	-	3,041
Total liabilities and fund balances	$ 38,504	$ 594	$ -	$ 39,098

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
Year Ended June 30, 2020
(Dollars in thousands)

	General Revenue Account	Educational Assistance Account	Advancement of Education Account	Total
Revenues				
Other	$ 4	$ -	$ -	$ 4
Expenditures				
Education				
Scholarship, awards and grants	$ 492,555	$ 10,316	$ (41)	$ 502,830
Deficiency of revenues over expenditures	(492,551)	(10,316)	41	(502,826)
Other sources (uses) of financial resources				
Appropriations from State resources	493,490	11,151	-	504,641
Lapsed appropriations	(4,678)	(545)	-	(5,223)
Receipts remitted to (from) State Treasury	(3,213)	(290)	(41)	(3,544)
SERS / OPEB on behalf contribution	5,766	-	-	5,766
Net other sources (uses) of financial resources	491,365	10,316	(41)	501,640
Net change in fund balances	(1,186)	-	-	(1,186)
Fund balance, July 1, 2019	4,227	-	-	4,227
Fund balance, June 30, 2020	$ 3,041	$ -	$ -	$ 3,041

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020
(Dollars in thousands)

	Special Revenue Funds		
	ISAC Accounts Receivable	John R. Justice Grant	Gear Up Grant
ASSETS			
Cash and cash equivalents	$ 135	$ -	$ 4
Receivables			
Other	-	-	388
Total assets	$ 135	$ -	$ 392
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	$ -	$ -	$ 392
Due to other State funds	-	-	-
Unearned revenue	-	-	-
Total liabilities	-	-	392
Fund balances			
Restricted	-	-	-
Committed	135	-	-
Unassigned	-	-	-
Total fund balances	135	-	-
Total liabilities and fund balances	$ 135	$ -	$ 392

Special Revenue Funds					Debt Service Fund	Total
Golden Apple Scholars	University Grant	Contract and Grant	Optometric Education	Total	ISAC COP	Nonmajor Governmental Funds
$ 10	$ 107	$ 3	$ -	$ 259	-	259
-	-	-	-	388	-	388
$ 10	$ 107	$ 3	$ -	$ 647	$ -	$ 647
$ 9	$ -	$ -	$ -	$ 401	$ -	$ 401
-	-	-	-	-	-	-
2	5	-	-	7	-	7
11	5	-	-	408	-	408
-	-	3	-	3	-	3
-	102	-	-	237	-	237
(1)	-	-	-	(1)	-	(1)
(1)	102	3	-	239	-	239
$ 10	$ 107	$ 3	$ -	$ 647	$ -	$ 647

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2020
(Dollars in thousands)

	Special Revenue Funds		
	ISAC Accounts Receivable	John R. Justice Grant	Gear Up Grant
Revenues			
Federal government	$ -	$ 113	$ 2,334
Other	231	-	-
Total revenues	231	113	2,334
Expenditures			
Education			
Scholarships, awards and grants	185	113	2,334
Salaries and employee benefits	-	-	-
Total expenditures	185	113	2,334
Excess (deficiency) of revenues over expenditures	46	-	-
Other sources (uses) of financial resources			
Appropriations from State resources	-	-	-
Net other sources (uses) of financial resources	-	-	-
Net change in fund balances	46	-	-
Fund balance, July 1, 2019	89	-	-
Fund balance, June 30, 2020	$ 135	$ -	$ -

Golden Apple Scholars	University Grant	Contract and Grant	Optometric Education	Total	Debt Service Fund ISAC COP	Total Nonmajor Governmental Funds
	Special Revenue Funds					
$ -	$ -	$ -	$ -	$ 2,447	$ -	$ 2,447
44	89	-	-	364	-	364
44	89	-	-	2,811	-	2,811
40	96	-	50	2,818	-	2,818
-	-	-	-	-	-	-
40	96	-	50	2,818	-	2,818
4	(7)	-	(50)	(7)	-	(7)
-	-	-	50	50	-	50
-	-	-	50	50	-	50
4	(7)	-	-	43	-	43
(5)	109	3	-	196	-	196
$ (1)	$ 102	$ 3	$ -	$ 239	$ -	$ 239

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2020
(Dollars in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Eliminations	Total
ASSETS				
Current				
Cash and cash equivalents	$ 61,431	$ 47,183	$ -	$ 108,614
Receivables				
Intergovernmental	367	9,528	-	9,895
Accrued interest on investments	46	35	-	81
Securities lending collateral	19,118	14,408	-	33,526
Due from other State funds	111	-	-	111
Due from other ISAC funds	2,329	1	-	2,330
Due from Federal Student Loan funds	390	-	(390)	-
Due from Student Loan Operating fund	-	141	(141)	-
Total current assets	83,792	71,296	(531)	154,557
Non-current				
Capital assets, net of accumulated depreciation	1,100	-	-	1,100
Due from Student Loan Operating fund	-	153	(153)	-
Total non-current assets	1,100	153	(153)	1,100
Total assets	84,892	71,449	(684)	155,657
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	9,380	-	-	9,380
OPEB related amounts	3,188	-	-	3,188
Total deferred outflows of resources	12,568	-	-	12,568
Total assets and deferred outflows of resources	$ 97,460	$ 71,449	$ (684)	$ 168,225
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$ 1,080	$ 4,809	$ -	$ 5,889
Due to Federal Student Loan fund	141	-	(141)	-
Due to Student Loan Operating fund	-	390	(390)	-
Due to other ISAC funds	-	147	-	147
Due to other State funds	284	-	-	284
Due to State of Illinois component units	2	-	-	2
Securities lending collateral obligation	19,118	14,408	-	33,526
Due to U.S. Department of Education	-	2,704	-	2,704
Net OPEB liability	573	-	-	573
Compensated absences	139	-	-	139
Total current liabilities	21,337	22,458	(531)	43,264
Non-current				
Due to Federal Student loan fund	153	-	(153)	-
Net pension liability	25,881	-	-	25,881
Net OPEB liability	17,114	-	-	17,114
Compensated absences	1,240	-	-	1,240
Total non-current liabilities	44,388	-	(153)	44,235
Total liabilities	65,725	22,458	(684)	87,499
DEFERRED INFLOWS OF RESOURCES				
Pension related amounts	34,841	-	-	34,841
OPEB related amounts	28,478	-	-	28,478
Total deferred inflows of resources	63,319	-	-	63,319
NET POSITION				
Net investment in capital assets	1,100	-	-	1,100
Restricted	-	48,991	-	48,991
Unrestricted	(32,684)	-	-	(32,684)
Total net position	(31,584)	48,991	-	17,407
Total liabilities, deferred inflows of resources and net position	$ 97,460	$ 71,449	$ (684)	$ 168,225

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2020
(Dollars in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Operating revenues			
Portfolio maintenance fees	$ 1,523	$ -	$ 1,523
Direct consolidation fees	5,263	-	5,263
Collections on student loans previously reimbursed by the U.S. Department of Education	-	9,210	9,210
Other	1,844	-	1,844
Total operating revenues	8,630	9,210	17,840
Operating expenses			
Salaries and employee benefits	6,257	-	6,257
Pension expenses	(9,674)	-	(9,674)
OPEB expenses	(6,450)	-	(6,450)
Loan guarantees	-	77,616	77,616
Management and professional services	9,202	-	9,202
Depreciation	417	-	417
Total operating expenses	(248)	77,616	77,368
Operating loss	8,878	(68,406)	(59,528)
Non-operating revenues			
Federal government	-	77,760	77,760
Interest revenue	1,048	751	1,799
Total non-operating revenue	1,048	78,511	79,559
Income (loss) before transfers	9,926	10,105	20,031
Transfers for:			
Collection retention fees	1,302	(1,302)	-
Repurchases/rehabilitations/consolidation retention fees	9,309	(9,309)	-
Direct consolidation fee refund	(2,476)	2,476	-
Default aversion fees	96	(96)	-
Net transfers	8,231	(8,231)	-
Change in net position	18,157	1,874	20,031
Net Position, July 1, 2019	(49,741)	47,117	(2,624)
Net Position, June 30, 2020	$ (31,584)	$ 48,991	$ 17,407

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year ended June 30, 2020
(Dollars in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Cash flows from operating activities			
Cash received from fees and other charges	$ 7,919	$ 56,519	$ 64,438
Cash payments to suppliers for goods and services	(3,199)	-	(3,199)
Cash payments to employees for services	(8,078)	-	(8,078)
Cash payments for loan guarantees	-	(78,707)	(78,707)
Cash payments for other operating activities	(4,948)	(47,088)	(52,036)
Net cash provided (used) by operating activities	(8,306)	(69,276)	(77,582)
Cash flows from noncapital financing activities			
Federal government grants	-	80,767	80,767
Transfers in	10,578	2,539	13,117
Transfers out	(2,539)	(10,578)	(13,117)
Net cash provided (used) by noncapital financing activities	8,039	72,728	80,767
Cash flows from investing activities			
Interest and dividends on investments	1,114	792	1,906
Net cash provided by investing activities	1,114	792	1,906
Increase (decrease) in cash and cash equivalents	847	4,244	5,091
Cash and cash equivalents, July 1, 2019	60,584	42,939	103,523
Cash and cash equivalents, June 30, 2020	$ 61,431	$ 47,183	$ 108,614
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	$ 8,878	$ (68,406)	$ (59,528)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	417	-	417
Change in assets and liabilities			
Intergovernmental receivables	44	-	44
Due from other State funds	(176)	(1)	(177)
Accounts payable and accrued liabilities	573	(688)	(115)
Intergovernmental payables	-	(328)	(328)
Due to other State funds and component units	(77)	147	70
Compensated absences	964	-	964
Deferred inflows related to pensions and OPEB	22,339	-	22,339
Deferred outflows related to pensions and OPEB	5,565	-	5,565
Net pension liability	(31,042)	-	(31,042)
Net OPEB liability	(15,791)	-	(15,791)
Total adjustments	(17,184)	(870)	(18,054)
Net cash provided (used) by operating activities	$ (8,306)	$ (69,276)	$ (77,582)

OTHER INFORMATION

College Illinois!® Prepaid Tuition Program

Actuarial Soundness Valuation Report as of June 30, 2020

P: 312.456.9800 | www.grsconsulting.com

August 28, 2020

Mr. Eric Zarnikow
Executive Director
Illinois Student Assistance Commission
1755 Lake Cook Road
Deerfield, Illinois 60015-5209

Re: College Illinois!® Prepaid Tuition Program Actuarial Soundness Valuation as of June 30, 2020

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, 2020. 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, 2020.

This report presents the principal results of the actuarial soundness 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, 2020, 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;
- Sensitivity testing; 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 actuarial soundness 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, 2020, and does not reflect subsequent market volatility.

120 North LaSalle Street | Suite 1350 | Chicago, Illinois 60602-3495

The actuarial soundness valuation results summarized in this report involve actuarial calculations that require assumptions about future events. Most of the actuarial assumptions used in this valuation 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 valuation. The following change was made beginning with the actuarial valuation as of June 30, 2020:

- The “select and ultimate” rate structure for the investment return assumption and related discount rate for liabilities was changed from an initial rate of 6.00 percent for fiscal year 2020 and grading down to the ultimate rate of 3.50 percent for fiscal years 2026 and after to an initial rate of 5.75 percent for fiscal year 2021 (compared to the expected rate of 5.583 percent under the previous assumption) and grading down to the ultimate rate of 3.50 percent for fiscal years 2025 and after. The change in the fiscal year for which the ultimate rate first applies from 2026 to 2025 is based on the year in which additional funds will be required to maintain solvency.

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

The College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period and is still not accepting new contracts for the 2020/2021 enrollment period. Program enrollment remains closed as ISAC continues to engage with legislators and the Governor’s office to help define proposals that will address the Program’s unfunded liability.

Considering the current asset allocation, current and future liquidity requirements and the fact that program enrollment is on hold, we believe the net investment rate of return assumption of 5.75 percent in fiscal year 2021 grading down to 3.50 percent in 2025, on a select and ultimate basis, is reasonable based on applicable Actuarial Standards of Practice. However, based on a survey of capital market assumptions, the probability of achieving the assumed returns is expected to be less than 50 percent.

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 and assumptions 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, 2020. 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.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

This report reflects the impact of COVID-19 through June 30, 2020. However, this report does not reflect the longer term and still developing future impact of COVID-19, which is likely to further influence demographic experience and economic expectations. We will continue to monitor these developments and their impact.

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,

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

Amy Williams, ASA, MAAA, FCA
Senior Consultant

Table of Contents

SECTION A

EXECUTIVE SUMMARY

Summary of Results

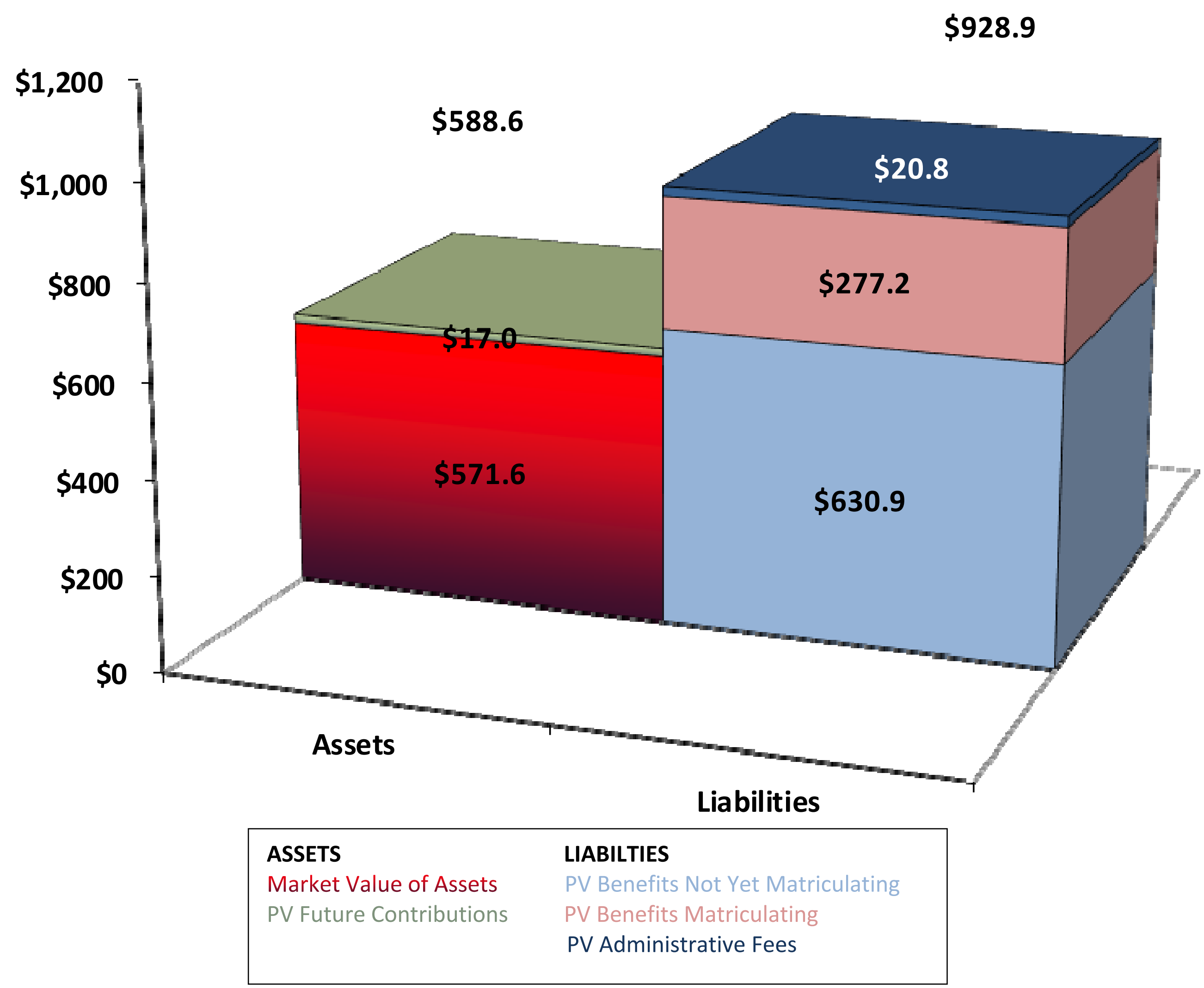
Principal Actuarial Soundness Valuation Results

Valuation Date:	June 30, 2020	June 30, 2019
Membership Summary:		
Counts		
Not Yet Matriculating	15,693	18,566
Matriculating[a]	12,355	13,064
Total	28,048	31,630
Average years until Enrollment if Not Yet Matriculating	3.2	3.5
Assets[b]		
· Actuarial Value of Assets (AVA)	$588,608,378	$725,896,683
· Estimated Return	1.30%	4.12%
Actuarial Liabilities (Present Value of Future Tuition Payments, Fees and Administrative Expenses)	$928,920,938	$1,043,388,044
Unfunded Liabilities	$340,312,560	$317,491,361
Funded Ratio	63.4%	69.6%

[a] *Counts include 5,060 contracts in 2020 and 4,836 contracts in 2019 that are classified as "Matriculating" but have used a minimal amount of credits within the past year.*

[b] *Asset values include present value of expected future contract payments from current contract holders.*

Summary of Assets and Liabilities as of June 30, 2020
$ in Millions



Numbers may not add due to rounding.

Summary of Results

Funded Status as of June 30, 2020

	June 30, 2020
Actuarial Present Value of Future Tuition Payments, Fees and Expenses	$928,920,938
Actuarial Value of Assets (Including the Present Value of Installment Contract Receivables)	$588,608,378
Deficit/(Surplus) as of June 30, 2020	$340,312,560

Gain/Loss Summary

	Unfunded Liability
Value at June 30, 2019	$ 317,491,361
Expected Value at June 30, 2020	$ 336,540,843
(Gain)/Loss Due to:	
Investment Experience	$ 29,831,698
Change in Assumptions and Methods	2,020,837
Tuition/Fee Inflation	(17,329,898)
Other Demographic Experience*	(10,750,920)
Total	$ 3,771,717
Actual Value at June 30, 2020	$ 340,312,560

* *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.*

The change in actuarial assumptions includes the change in the investment return assumption

Additional Details on the development of the Expected Value at June 30, 2020, can be found on page B-3.

Discussion

Actuarial Soundness Valuation

Gabriel, Roeder, Smith & Company ("GRS") has performed an actuarial soundness valuation of the College Illinois!® Prepaid Tuition Program ("CIPTP") as of June 30, 2020.

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, 2020, and compare such liabilities with the value of the assets associated with the program as of that same date;
- Illustrate results under sensitivity scenarios; and
- Analyze the factors which caused the deficit/surplus to change since the prior actuarial valuation.

This report summarizes those results and also illustrates the sensitivity of the deficit/surplus to changes 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 contract beneficiary data, financial data, plan provisions and actuarial assumptions and methods.

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 has been open to all Illinois residents and non-Illinois residents purchasing contracts for Illinois-resident beneficiaries. CIPTP contracts allow participants to prepay the cost of tuition and mandatory fees at Illinois public universities and community colleges at expected projected 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, 2020, the CIPTP had 28,048 contracts in force.

The College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period and is still not accepting new contracts for the 2020/2021 enrollment period. Program enrollment remains closed as ISAC continues to engage with legislators and the Governor's office to help define proposals that will address the Program's unfunded liability.

Actuarial Assumptions

The actuarial soundness valuation results summarized in this report involve actuarial calculations that require assumptions about future events. Most of 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.

Discussion

Changes in Actuarial Assumptions since Prior Valuation

The net investment return assumption under the "select and ultimate" rate structure was changed from an initial rate of 6.00 percent for fiscal year 2020 grading down to the ultimate rate of 3.50 percent in fiscal years on and after 2026 (in 0.417 percent annual increments) to an initial rate of 5.75 percent for fiscal year 2021 grading down to the ultimate rate of 3.50 percent in fiscal years on and after 2025 (in 0.563 percent annual increments).

Considering the current asset allocation, current and future liquidity requirements, and the fact that the program enrollment is on hold (and has been since the 2017/2018 enrollment period), we believe the net investment rate of return assumption being used in the June 30, 2020 actuarial soundness valuation is reasonable, based on applicable Actuarial Standards of Practice. However, based on a survey of capital market assumptions, the probability of achieving the assumed returns is expected to be less than 50 percent.

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, 2020

As of June 30, 2020, the present value of all future tuition obligations under contracts outstanding (and including future administrative expenses) is $928,920,938. The value of fund assets as of June 30, 2020, including the market value of program assets and the present value of installment contract receivables, is $588,608,378.

The difference between the present value of future tuition obligations and the value of assets as of June 30, 2020, represents a program deficit of $340,312,560. The comparable program deficit as of the last actuarial soundness valuation as of June 30, 2019, was $317,491,361. This represents an increase in the deficit of $22,821,199.

Gain/Loss Analysis

As described above, the program deficit increased from $317.5 million as of June 30, 2019, to $340.3 million as of June 30, 2020. Based on the actuarial assumptions used during the June 30, 2019 actuarial soundness valuation and actual tuition payments, refunds and fees, the deficit was expected to increase to $336.5 million. The primary factor which caused the deficit to increase by $3.8 million compared to the expected deficit was losses due to investment returns that were less than expected (an actual rate of return less than the assumption of 6.00 percent used in the last actuarial valuation). This also resulted in the ultimate investment return rate first being used one year earlier (in 2025) which increased the deficit. This increase was partially offset due to (1) tuition and fee increases that were less than expected (increases that were lower than the assumption of 4.75 percent used in the last actuarial valuation) and (2) 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).

Discussion

The funded ratio decreased from 69.6 percent as of June 30, 2019, to 63.4 percent as of June 30, 2020.

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, 2019.

Assets

CIPTP assets are held in trust. ISAC provided the asset information used in the June 30, 2020 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 1.30 percent for the year ended June 30, 2020.

Commencing with the June 30, 2015 actuarial soundness valuation, the actuarial value of assets is equal to the market value of assets plus the present value of expected future contract payments from current contract holders.

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. Program enrollment is currently on hold.

Contracts Sold by Enrollment Year

The chart on page D-1 illustrates the number of contracts sold by enrollment year.

- 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 seven-year period 2010/2011 to 2016/2017 was 559 including 2011/2012 when the plan was not open for new contract sales.
- The average annual number of contracts sold during the last seven-year period 2010/2011 to 2016/2017 was 652 excluding 2011/2012 when the plan was not open for new contract sales.

- Program enrollment was placed on hold commencing with the 2017/2018 enrollment period and continues to be on hold. Therefore, there were zero contracts sold during the 2017/2018, the 2018/2019 and the 2019/2020 enrollment periods.

Projection Scenarios

Full projection scenarios are included in a separate report.

The College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period and is still not accepting new contracts for the 2020/2021 enrollment period. While the closing of the CIPTP has not occurred, we have completed a projection assuming that the program continues to operate but with no new contract sales after June 30, 2020. Based on an investment return assumption that grades down from 5.75 percent for the 2021 fiscal year to 3.50 percent for the 2025 fiscal year, 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. The results of this "closed group" projection are included in a separate report.

Future actuarial measurements may differ significantly from the measurements presented in this projection 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.

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 future participation in the CIPTP.

SECTION B

ACTUARIAL SOUNDNESS VALUATION RESULTS

Exhibit I
Principal Actuarial Soundness Valuation Results

Valuation Date:	June 30, 2020	June 30, 2019
1. Number of Members		
a. Not Yet Matriculating:	15,693	18,566
b. Matriculating[a]:	12,355	13,064
c. Total	28,048	31,630
Average Years until Enrollment if Not Yet Matriculating	3.2	3.5
2. Assets		
a. Market Value of Assets (in Trust)	$ 571,613,198	$ 702,216,197
b. PV Future Member Contributions	16,995,180	23,680,486
c. Total Actuarial Value of Assets (AVA) (2a + 2b)	$ 588,608,378	$ 725,896,683
3. Actuarial Results		
Liabilities		
a. Not yet Matriculating - Tuition and Fees	$ 630,885,129	$ 728,860,971
b. Matriculating - Tuition and Fees	277,216,693	290,136,226
c. Present Value of Future Administrative Expenses	20,819,116	24,390,847
d. Total	$ 928,920,938	$ 1,043,388,044
Unfunded Liability	$ 340,312,560	$ 317,491,361
Funded Ratio	63.4%	69.6%

[a] *Counts include 5,060 contracts in 2020 and 4,836 contracts in 2019 that are classified as "Matriculating" but have used a minimal amount of credits within the past year.*

Exhibit I (Continued)
Principal Actuarial Soundness Valuation Results

Valuation Date:	June 30, 2020	June 30, 2019
1. Assets		
a. Market Value of Assets (in Trust)	$ 571,613,198	$ 702,216,197
b. PV Future Member Contributions (Short Term)[a]	4,953,206	6,647,238
c. PV Future Member Contributions (Long Term)[b]	12,041,974	17,033,248
d. Total Market Value of Assets (MVA)	$ 588,608,378	$ 725,896,683
2. Actuarial Present Value of Tuition, Fees and Admin Expenses		
a. Short Term[a]	$ 140,781,833	$ 145,130,169
b. Long Term[b]	788,139,105	898,257,875
c. Total	$ 928,920,938	$ 1,043,388,044
Unfunded Liability (Surplus)	$ 340,312,560	$ 317,491,361
Funded Ratio	63.4%	69.6%

[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[a]	Unfunded Liability
1. Values at June 30, 2019	$ 1,043,388,044	$725,896,683	$ 317,491,361
2. Actual Tuition Payments, Refunds and Administrative Expenses	$ (147,000,218)	$ (147,000,218)	$ -
3. Interest on 1. and 2. at 6.00%	$ 58,257,513	$ 39,208,032	$ 19,049,481
4. New Contracts	$ -	$ -	$ -
5. Projected Values at June 30, 2020 (1. + 2. + 3. + 4.)	$ 954,645,340	$ 618,104,497	$ 336,540,843
6. (Gain)/Loss Due to:			
Investment Experience	$ -	$ 29,831,698	$ 29,831,698
Change in Assumptions and Methods	2,027,562	(6,725)	2,020,837
Tuition/Fee Inflation	(17,329,898)	-	(17,329,898)
Other Demographic Experience[b]	(10,422,066)	(328,854)	(10,750,920)
Total	$ (25,724,402)	$ 29,496,119	$ 3,771,717
7. Actual Values at June 30, 2020 (5. + 6.)	$ 928,920,938	$ 588,608,378	$ 340,312,560

[a] *Equals the sum of the market value of trust assets plus the present value of expected future contract payments from current contract holders. Actual values at June 30, 2020, are equal to (5.-6.) which is the projected value minus the (gain)/loss total.*

[b] *Other Demographic Experience includes deviations in actual contract beneficiary experience from the 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 expected future contract payments from current contract holders.*

Exhibit III
Gain/Loss History

	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	Total 8-Year Change
Unfunded Liability at Prior Valuation Date	$ 467,404,585	$ 448,506,323	$ 328,182,173	$ 292,111,181	$ 264,313,965	$ 320,237,004	$ 307,711,673	$ 317,491,361	
Projected Unfunded Liability at Valuation Date	$ 491,441,672	$ 474,596,839	$ 346,104,498	$ 309,309,748	$ 278,495,729	$ 341,052,409	$ 326,943,653	$ 336,540,843	
(Gain)/Loss Due to:									
Investment Experience	$ (13,003,926)	$ (44,221,698)	$ 31,916,454	$ 8,218,414	$ (4,435,878)	$ 7,573,155	$ 15,885,182	$ 29,831,698	$ 31,763,401
Change in Assumptions	24,441,468	(53,755,927)	(49,845,761)	(21,711,495)	78,869,711	(4,384,888)	(4,317,928)	2,020,837	(28,683,983)
Tuition/Fee Inflation*	(66,164,363)	(45,359,154)	(47,420,647)	(40,802,985)	(31,916,630)	(25,580,322)	(16,543,198)	(17,329,898)	(291,117,197)
Other Demographic Experience	11,791,472	(3,077,887)	11,356,637	9,300,283	(775,927)	(10,948,681)	(4,476,348)	(10,750,920)	2,418,629
Total	$ (42,935,349)	$ (146,414,666)	$ (53,993,317)	$ (44,995,783)	$ 41,741,276	$ (33,340,736)	$ (9,452,292)	$ 3,771,717	$ (285,619,150)
Unfunded Liability at Valuation Date	$ 448,506,323	$ 328,182,173	$ 292,111,181	$ 264,313,965	$ 320,237,004	$ 307,711,673	$ 317,491,361	$ 340,312,560	

Changes in Actuarial Assumptions

June 30, 2013 *Decrease in the investment return assumption from 7.25 percent to 7.00 percent.*

June 30, 2014 *Decrease in the tuition and fee select and ultimate rate increase assumption for Legacy, University and University Plus contracts.*

June 30, 2015 *Based on an experience review covering the period July 1, 2011 through June 30, 2014, changes in the matriculation rates, benefit utilization rates, cancellation rates, bias loads and growth rate for administrative expenses. No changes were made to the investment return or the tuition and fee increase assumptions.*

June 30, 2016 *Decrease in the investment return assumption from 7.00 percent to 6.75 percent, change in the tuition and fee increase assumption from a select and ultimate rate increase assumption with an ultimate increase rate of 5.00 percent to a flat rate of 5.00 percent for all future years.*

June 30, 2017 *Decrease in the investment return assumption from a flat rate of 6.75 percent to a select and ultimate rate structure with an initial rate of 6.50 percent, grading down in annual increments of 0.393 percent to an ultimate investment return rate of 3.75 percent. Change in the calculation of the total administrative expenses related to marketing from an assumption of 12 percent of total administrative expenses to actual marketing expenses in the prior fiscal year (which affects the present value of future administrative expenses for current contract beneficiaries).*

June 30, 2018 *The select and ultimate rate structure was changed from an initial rate of 6.50 percent for fiscal year 2018, grading down in annual increments of 0.393 percent to the ultimate rate of 3.75 percent in fiscal years on and after 2025 to an initial rate of 6.25 percent for fiscal year 2019, grading down in annual increments of 0.357 percent to the ultimate rate of 3.75 percent in fiscal years on and after 2026.*

June 30, 2019 *The select and ultimate rate structure was changed from an initial rate of 6.25 percent for fiscal year 2019, grading down in annual increments of 0.357 percent to the ultimate rate of 3.75 percent in fiscal years on and after 2026 to an initial rate of 6.00 percent for fiscal year 2020, grading down in annual increments of 0.417 percent to the ultimate rate of 3.50 percent in fiscal years on and after 2026. The tuition and fee increase assumption was decreased from a flat rate of 5.00 percent to a flat rate of 4.75 percent for all future years.*

June 30, 2020 *The select and ultimate rate structure was changed from an initial rate of 6.00 percent for fiscal year 2020, grading down in annual increments of 0.417 percent to the ultimate rate of 3.50 percent in fiscal years on and after 2026 to an initial rate of 5.75 percent for fiscal year 2021, grading down in annual increments of 0.563 percent to the ultimate rate of 3.50 percent in fiscal years on and after 2025.*

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 5.75 percent in Fiscal Year 2021 graded down in yearly increments to 3.50 percent on and after Fiscal Year 2025, actual returns are expected to vary from year to year. Therefore, we have projected CIPTP results under the following alternative assumptions for future investment income, tuition increases and fee increases.

1. Tuition increases are 100 basis points higher/lower (5.75%/3.75% compared to 4.75%) in each future year than assumed in the baseline valuation (measurement of soundness).
2. Fee increases are 100 basis points higher/lower (5.75%/3.75% compared to 4.75%) in each future year than assumed in the baseline valuation (measurement of soundness).
3. The investment return is 50 basis points higher/lower (6.25% initial and 4.00% ultimate/5.25% initial and 3.00% ultimate compared to 5.75% initial and 3.50% ultimate) 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
$ in Millions

	Current Valuation Assumptions	Assumed Tuition Increases 100 Basis Points	Assumed Tuition Decreases 100 Basis Points	Assumed Fee Increases 100 Basis Points	Assumed Fee Decreases 100 Basis Points	Assumed Investment Return Increases 50 Basis Points	Assumed Investment Return Decreases 50 Basis Points
1. Assets							
a. Market Value of Assets (in Trust)	$571.6	$571.6	$571.6	$571.6	$571.6	$571.6	$571.6
b. PV Future Member Contributions	17.0	17.0	16.9	17.0	16.9	16.7	17.2
c. Total Actuarial Value of Assets (AVA) (2a + 2b)	$588.6	$588.6	$588.5	$588.6	$588.5	$588.3	$588.8
2. Actuarial Results							
Liabilities							
a. Not yet Matriculating - Tuition and Fees	$630.9	$645.9	$612.2	$639.2	$618.6	$609.6	$648.4
b. Matriculating - Tuition and Fees	277.2	279.1	274.8	278.3	275.5	274.0	279.9
c. Present Value of Future Administrative Expenses	20.8	20.8	20.7	20.8	20.7	20.3	21.2
d. Total	$928.9	$945.8	$907.7	$938.3	$914.8	$903.9	$949.5
Unfunded Liability	$340.3	$357.2	$319.2	$349.7	$326.3	$315.6	$360.7
Funded Ratio	63.4%	62.2%	64.8%	62.7%	64.3%	65.1%	62.0%
Difference from Current Assumptions							
Unfunded Liability	$0.0	$16.9	-$21.1	$9.4	-$14.0	-$24.7	$20.4
Funded Ratio	0.0%	-1.2%	1.4%	-0.7%	0.9%	1.7%	-1.4%

The current valuation assumptions and the non-favorable scenarios are expected to have assets depleted in 2025 (assumed tuition increases 100 basis points, assumed fee increases 100 basis points, and the assumed investment return decreases 50 basis points). The favorable scenarios are expected to have assets depleted in 2026 (assumed tuition decreases 100 basis points, assumed fee decreases 100 basis points, and the assumed investment return increases 50 basis points) and use an investment return assumption that grades down in yearly increments to 3.50 percent on and after fiscal year 2026.

SECTION C

FUND ASSETS

Statement of Plan Net Assets
(Assets at Market or Fair Value)

College Illinois!® Prepaid Tuition Program

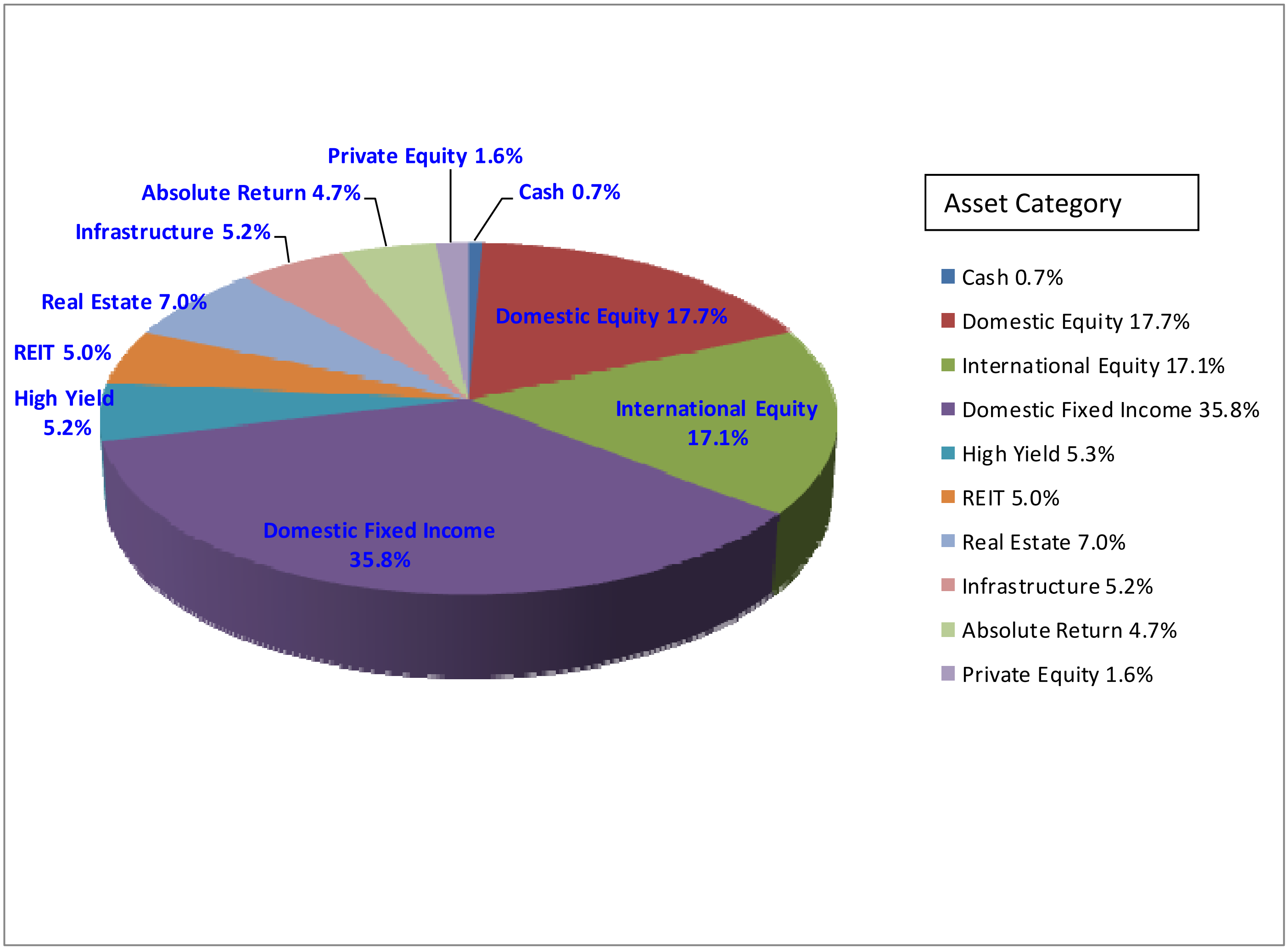
Statement of Plan Net Assets

Year ended June 30, 2020

			% of Total
Cash	$	3,926,657	0.7%
Investments			
Domestic Equity	$	101,285,052	17.7%
International Equity		97,847,075	17.1%
Domestic Fixed Income		204,539,407	35.8%
High Yield		30,011,880	5.3%
REIT		28,550,702	5.0%
Real Estate		39,787,079	7.0%
Infrastructure		29,930,466	5.2%
Absolute Return		26,770,111	4.7%
Private Equity		8,964,769	1.6%
Total Investments	$	567,686,541	99.3%
Total Assets	$	571,613,198	100.0%

Numbers may not add due to rounding.

Allocation of Assets at June 30, 2020



Reconciliation of Market Value of Plan Assets

College Illinois!® Prepaid Tuition Program

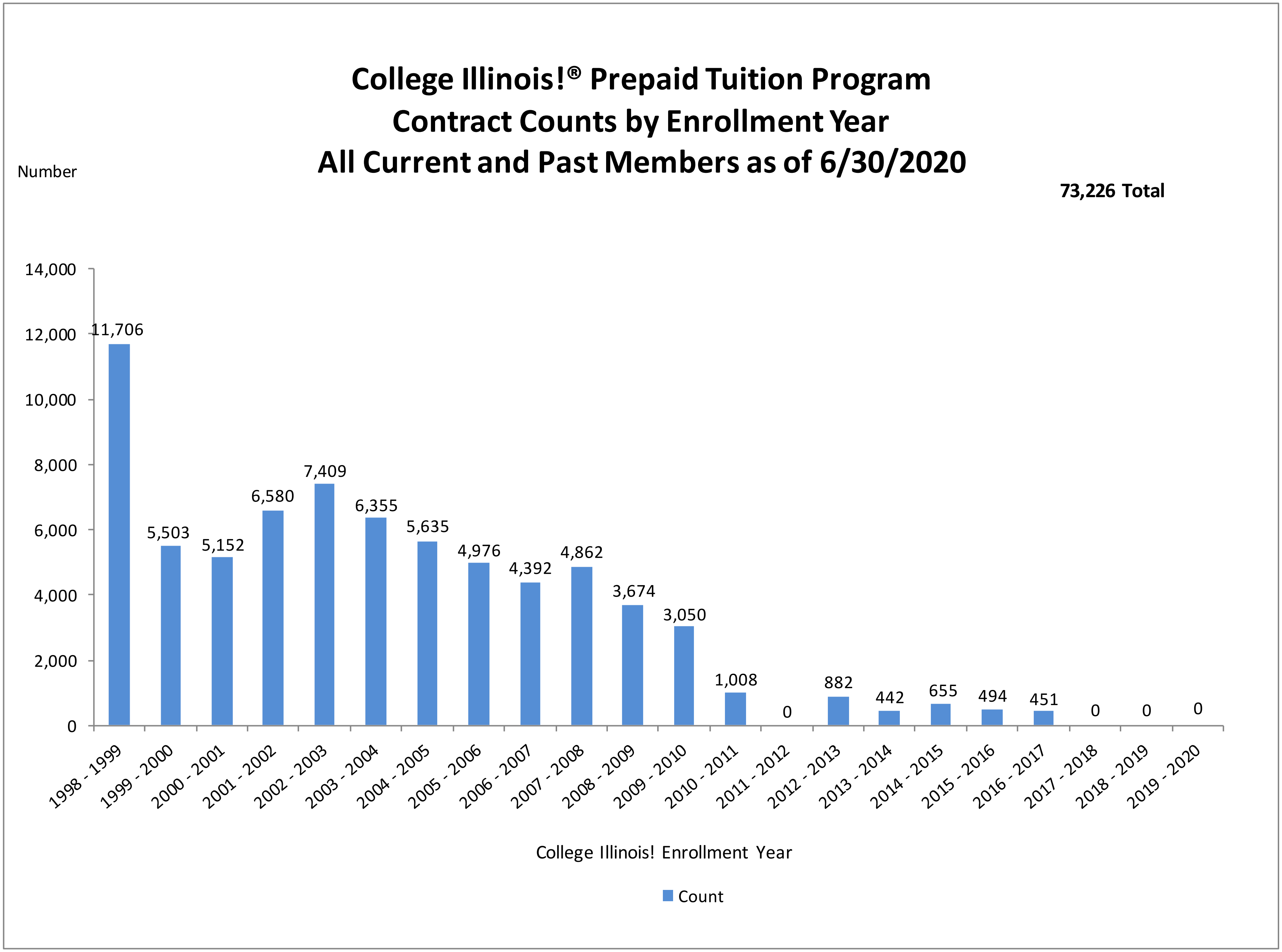
Statement of Changes in Plan Net Assets

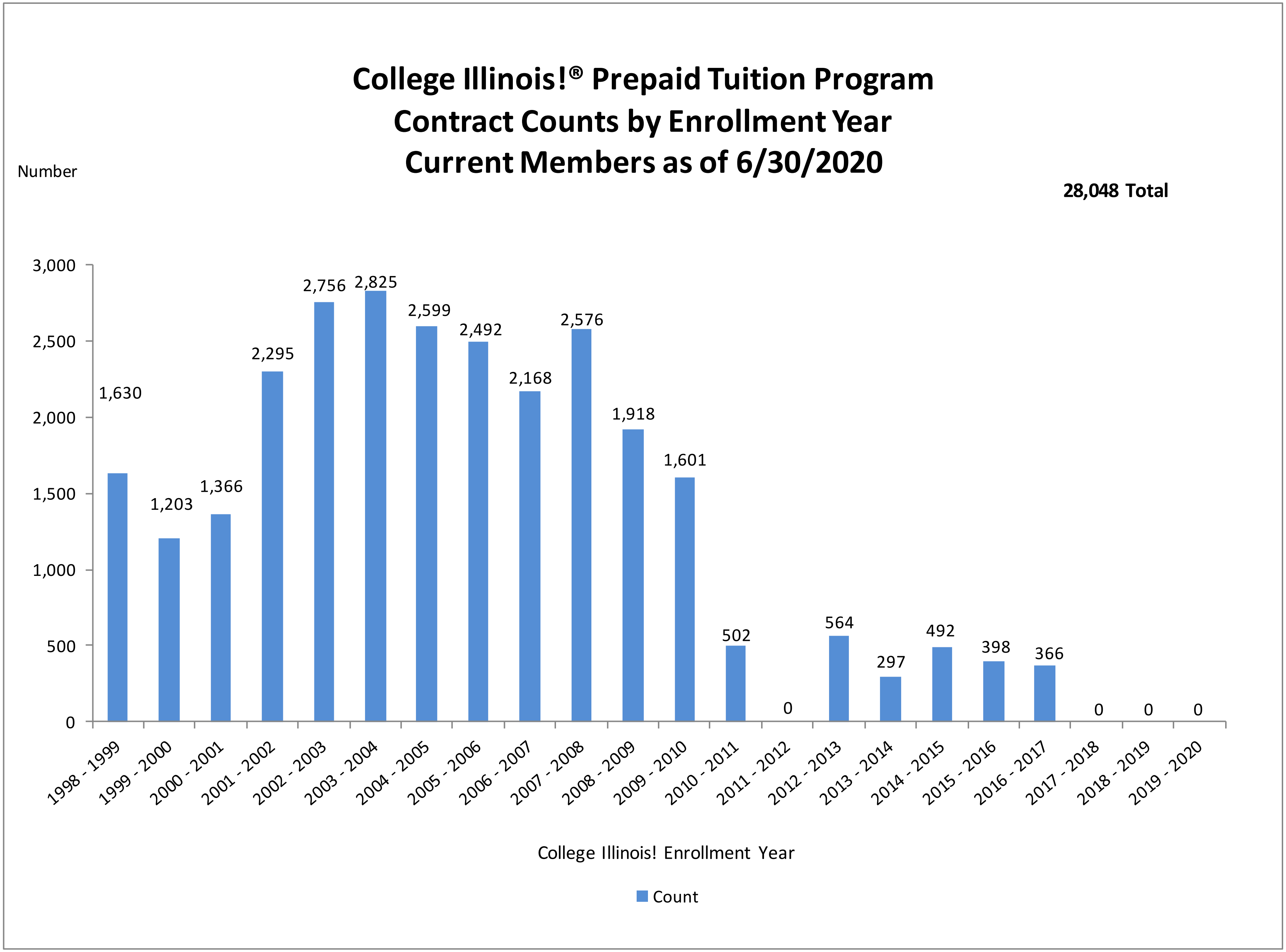
Twelve-Month Period ended June 30, 2020

Beginning of Period		7/1/2019
End of Period		6/30/2020
Additions:		
Contributions received	$	8,199,317
Gross investment income		10,436,905
Realized/Unrealized investment gains/(losses)		(680,335)
Total Additions	$	17,955,887
Deductions:		
Tuition payments	$	117,150,322
Refunds to Purchasers		26,402,803
Investment expenses & advisory fees		1,558,668
Administrative expenses		3,447,093
Total Deductions	$	148,558,886
Net increase/(decrease)	$	(130,602,999)
Market Value of Assets:		
Beginning of period	$	702,216,197
End of period (6/30/2020)	$	571,613,198
Present Value of Future Contributions by Current Contract Holders		16,995,180
Market Value of Total Fund Assets as of June 30, 2020	$	588,608,378

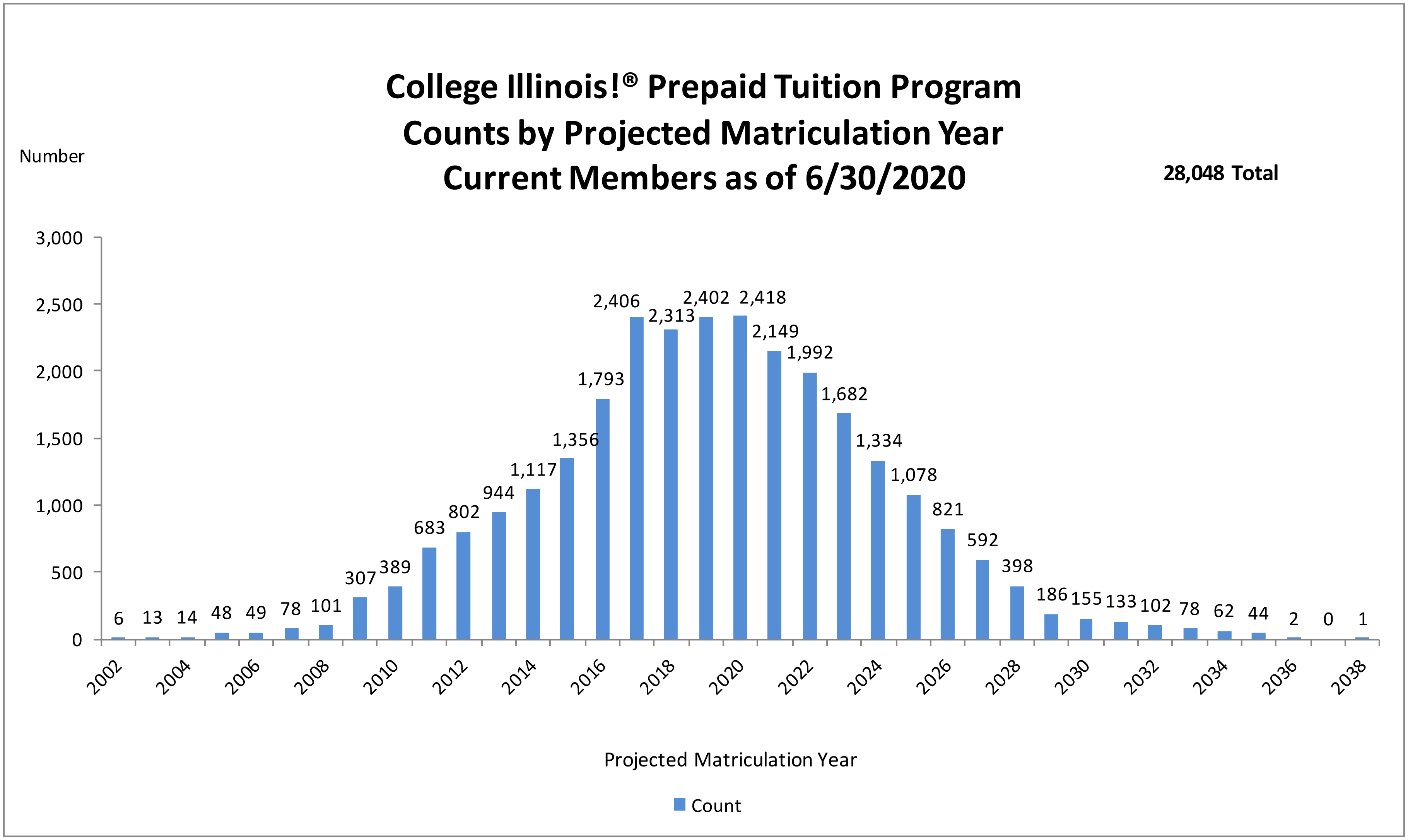
SECTION D

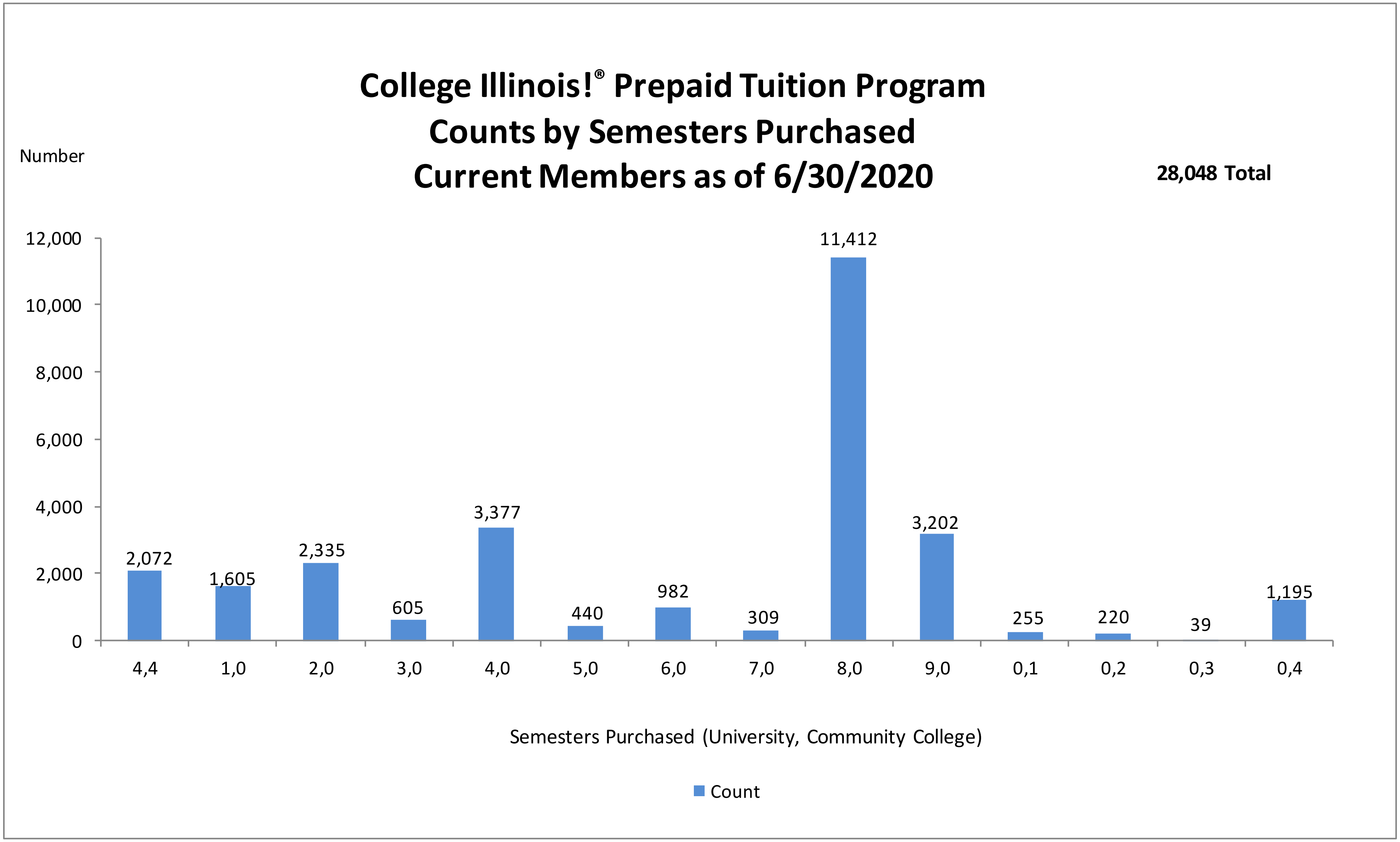
PARTICIPANT DATA


College Illinois!® Prepaid Tuition Program
Contract Counts by Enrollment Year
All Current and Past Members as of 6/30/2020
Number
73,226 Total
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
11,706
5,503
5,152
6,580
7,409
6,355
5,635
4,976
4,392
4,862
3,674
3,050
1,008
0
882
442
655
494
451
0
0
0
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
2016 - 2017
2017 - 2018
2018 - 2019
2019 - 2020
College Illinois! Enrollment Year
Count

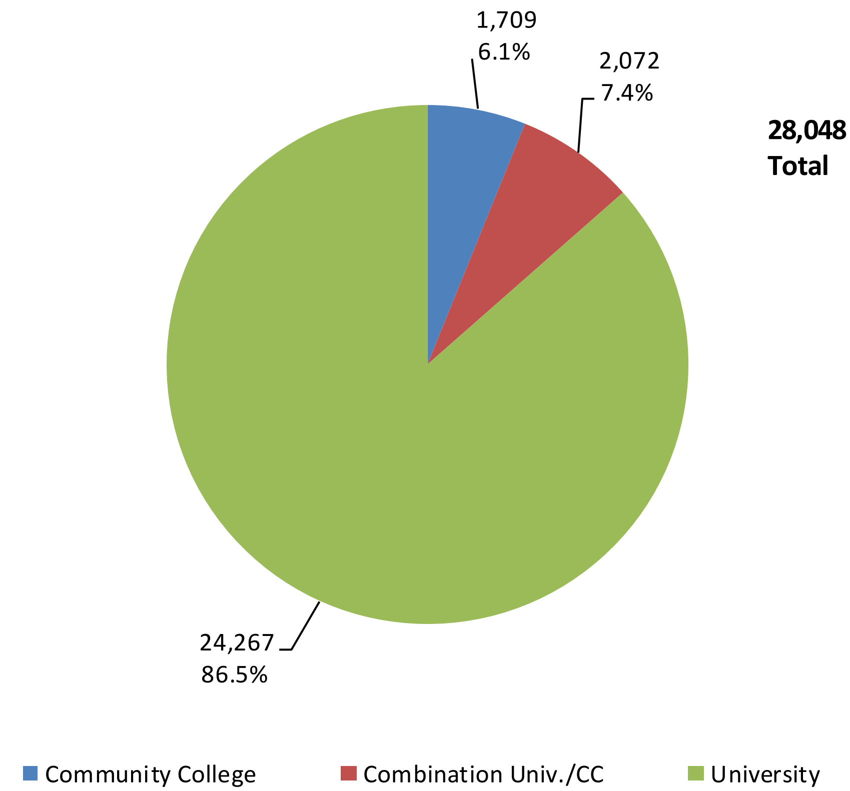


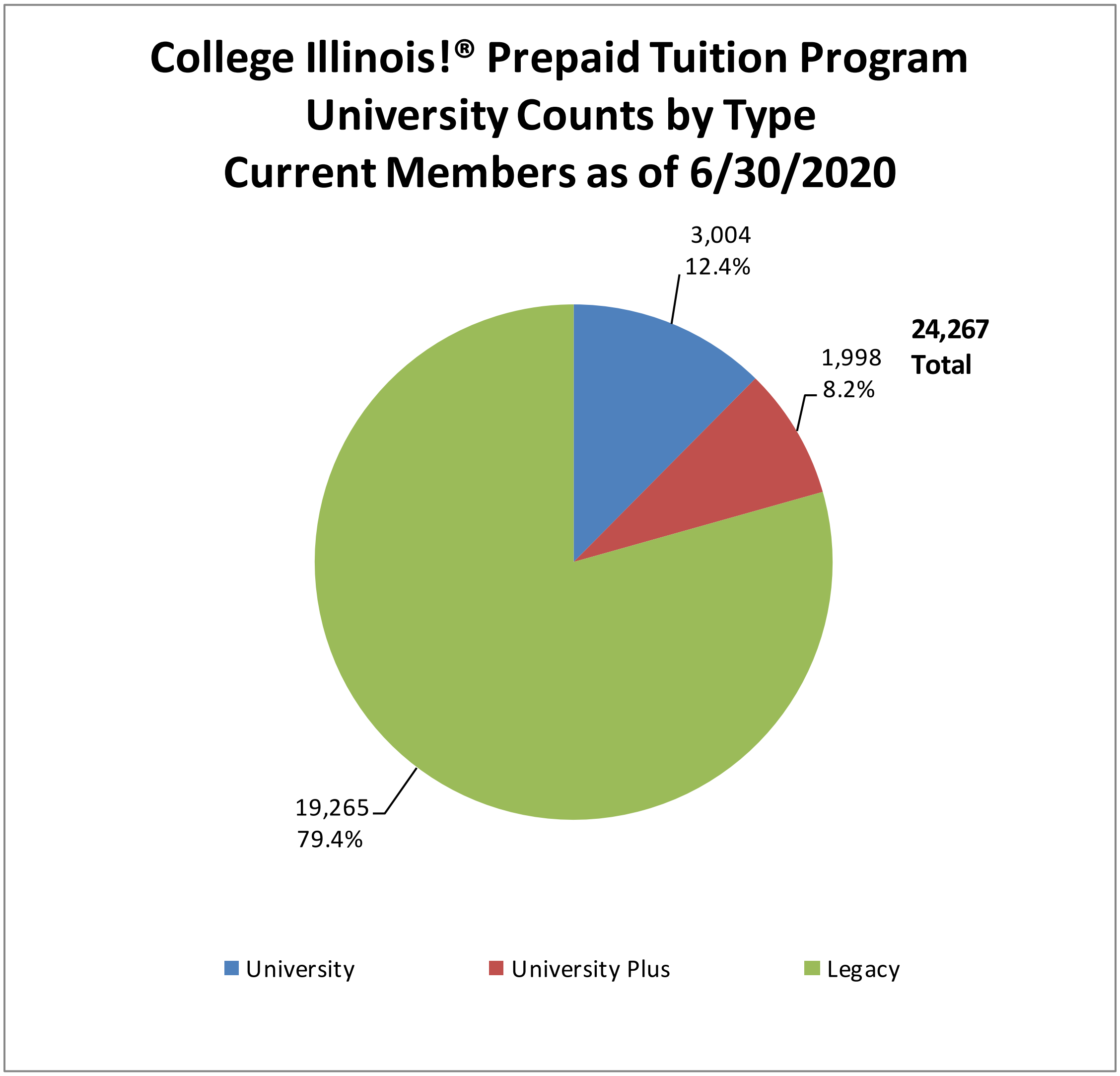
College Illinois!® Prepaid Tuition Program
Contract Counts by Enrollment Year
Current Members as of 6/30/2020
Number
28,048 Total
3,000
2,500
2,000
1,500
1,000
500
0
1,630
1,203
1,366
2,295
2,756
2,825
2,599
2,492
2,168
2,576
1,918
1,601
502
0
564
297
492
398
366
0
0
0
1998 - 1999
1999 - 2000
2000 - 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
2016 - 2017
2017 - 2018
2018 - 2019
2019 - 2020
College Illinois! Enrollment Year
Count


College Illinois!® Prepaid Tuition Program
Counts by Projected Matriculation Year
Current Members as of 6/30/2020
Number
28,048 Total
3,000
2,500
2,000
1,500
1,000
500
0
6
13
14
48
49
78
101
307
389
683
802
944
1,117
1,356
1,793
2,406
2,313
2,402
2,418
2,149
1,992
1,682
1,334
1,078
821
592
398
186
155
133
102
78
62
44
2
0
1
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
2028
2030
2032
2034
2036
2038
Projected Matriculation Year
Count


College Illinois!® Prepaid Tuition Program
Counts by Semesters Purchased
Current Members as of 6/30/2020
Number
28,048 Total
12,000
10,000
8,000
6,000
4,000
2,000
0
2,072
1,605
2,335
605
3,377
440
982
309
11,412
3,202
255
220
39
1,195
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 6/30/2020




College Illinois!® Prepaid Tuition Program
University Counts by Type
Current Members as of 6/30/2020
3,004
12.4%
1,998
8.2%
24,267
Total
19,265
79.4%
University
University Plus
Legacy

SECTION E

ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

Actuarial Valuation Methods

Actuarial Value of Assets – The Actuarial Value of Assets is equal to the Market Value of Assets plus the present value of expected future contract payments from current contract holders.

Actuarial Valuation Assumptions

The rationale for the assumptions (except as indicated) may be found in the experience study report covering the period July 1, 2011 through June 30, 2014, which was issued on August 26, 2015. The assumptions were adopted for first use in the actuarial soundness valuation as of June 30, 2015.

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

Measurement Date

June 30, 2020

Net Investment Return Rate

The following select and ultimate rate structure, net of investment expenses and compounded annually, is assumed. Includes inflation assumption of 2.50 percent. (First effective with the actuarial soundness valuation as of June 30, 2020, and prescribed to us by ISAC.)

Net Investment Return Rate

Fiscal Year Ending 6/30	Net Investment Return Rate
2021	5.750%
2022	5.187%
2023	4.624%
2024	4.061%
2025+	3.500%

Considering the current asset allocation, current and future liquidity requirements and the fact that the program enrollment is on hold, we believe the current select and ultimate net investment rate of return assumption is reasonable, based on applicable Actuarial Standards of Practice. However, based on a survey of capital market assumptions, the probability of achieving the assumed returns is expected to be less than 50 percent.

Weighted Average Tuition and Fees (WATF) by Contract Type
Based on the Freshman Tuition Rates Adjusted for Differential Tuition (Blended)

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy†
2020-2021 Weighted Tuition	$4,075	$11,151	$14,106	$11,950
2020-2021 Weighted Fees	524	4,280	4,608	4,369
2020-2021 Total WATF	4,599	15,431	18,714	16,319

†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.

Weighted Average Tuition and Fees (WATF) Increase from Prior Year

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy
2020-2021 Total WATF	$4,599	$15,431	$18,714	$16,319
2019-2020 Total WATF	4,528	15,199	18,059	15,979
WATF Increase	1.57%	1.53%	3.63%	2.13%

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 2020-2021 WATF. The following bias loads were used 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.

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy
Bias Load	5.50%	2.50%	0.00%	4.00%

Tuition and Fee Increase Assumption

Tuition and Fee Increase Assumption - June 30, 2020, Actuarial Valuation				
Effective Date	Community College	University	University Plus	Legacy
6/30/2020 and Beyond	4.75%	4.75%	4.75%	4.75%

(First effective with the actuarial soundness valuation as of June 30, 2019, and prescribed to us by ISAC.)

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.

Truth in Tuition

Under Illinois' Truth-in-Tuition law, the state's 12 public colleges and universities are required to charge incoming resident freshmen a fixed tuition rate for the first four years of college. The Truth in Tuition law does not apply to community colleges.

For contract beneficiaries with a Choice 2, Choice 3 or Legacy contract, 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 contract beneficiaries with a Choice 1 contract, it was assumed that tuition will increase for each year enrolled. The fee portion of the WATF is assumed to increase each year for all contract types.

The following table shows the WAT (excluding fees) for the past four years that would be used for contract beneficiaries under the Truth-in-Tuition law. (Choice 1 is shown for informational purposes only.)

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy
2020-2021 Weighted Tuition	$4,075	$11,151	$14,106	$11,950
2019-2020 Weighted Tuition	4,012	11,025	13,885	11,687
2018-2019 Weighted Tuition	3,942	10,925	13,885	11,687
2017-2018 Weighted Tuition	3,862	10,675	13,884	11,525
2016-2017 Weighted Tuition	3,698	10,410	14,136	11,318

Rates of Cancellation

These rates are used to measure the probability of eligible contract beneficiaries cancelling their contracts before and after projected college entrance date. The rates apply to contract beneficiaries who have not yet matriculated. Once the contract beneficiaries are assumed to have matriculated and started using benefits, the cancellation rates do not apply.

Years from Projected College Entrance Year	Cancellation Rate
-17	8.0%
-16	7.0%
-15	6.0%
-14	4.0%
-13	4.0%
-12	3.0%
-11	3.0%
-10	3.0%
-9	2.0%
-8	1.5%
-7	1.5%
-6	1.5%
-5	1.5%
-4	1.0%

Years from Projected College Entrance Year	Cancellation Rate
-3	1.0%
-2	1.0%
-1	1.5%
0	1.5%
1	3.0%
2	3.0%
3	5.0%
4	5.0%
5	7.5%
6	7.5%
7	5.0%
8	5.0%
9	5.0%
10	100.0%

In the event of a cancellation, it was assumed that a refund will be paid equal to the amount of all contract payments made accumulated with applicable interest, less benefits paid. (Two percent annual interest is applicable to contracts purchased prior to the 2013/2014 enrollment period. No interest is applicable to contracts purchased during or after the 2013/2014 enrollment period.)

Rates of Enrollment

These rates are used to measure the probability of eligible contract beneficiaries matriculating at and beyond their projected college entrance date. The rates apply to contract beneficiaries who have not yet matriculated.

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%

Utilization of Benefits

The following rates apply to contract beneficiaries who (1) have not yet matriculated and (2) those who have matriculated, but have used fewer than 10 credits within the past year. For those who have matriculated, the projected college entrance year is assumed to be the valuation year. Contract beneficiaries are assumed to use the benefits as described by the CIPTP Master Agreement.

Distribution of Benefit Utilization									
Number of Years	Number of Semesters Purchased								
Since Matriculation	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%

For contract beneficiaries who have matriculated and have used 10 or more credits within the past year, it is assumed that the contract beneficiaries will utilize 22 credits per year until benefits are fully depleted.

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 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 2.50 percent for two years and then decline at the same rate the present value of benefits declines (combined with a 2.50 percent increase for inflation). The present value of future administrative expenses was determined to be equal to approximately 2.2 percent of the total liabilities.

Effective with the actuarial soundness valuation as of June 30, 2018, total administrative expenses were assumed to be all non-marketing related due to the ongoing deferment in open enrollment. The amount of administrative expenses assumed to be non-marketing related is the basis for the present value of future administrative expenses for current contract beneficiaries.

	Assumed Current Contract Beneficiary Expenses			
Fiscal Year	Marketing	Other Administration	Total Administrative Expenses	Marketing % of Total
2020	$0	$3,447,093	$3,447,093	0.00%
2021	0	3,533,270	3,533,270	0.00%
2022	0	3,621,602	3,621,602	0.00%

Mortality and Disability

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

Data Adjustments

The following contract beneficiary records were excluded from the actuarial valuation:

- Records with a payment status indicating they were cancelled;
- Records with a contract usage status of depleted; and
- Records with less than one contract unit remaining (the number of contract units purchased minus the number of contract units used is less than one).

The projected college entrance year was adjusted for contract beneficiaries who are not scheduled to have completed payments for the contract by the college entrance year provided in the data.

The account balance that is eligible to be refunded is calculated by GRS based on the contract payment information provided, increased with applicable interest, less any tuition and fee benefits paid to date. Two percent annual interest is applicable to contracts purchased prior to the 2013/2014 enrollment period. No interest is applicable to contracts purchased during or after the 2013/2014 enrollment period.

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.

The benefit shall never be less than the amount paid for the contract.

Benefits are available for use three years after the first payment due date. The plan must be paid in full prior to the use of any benefits. In addition, the beneficiary has up to 10 years from the projected college enrollment date to start using program benefits. Once the beneficiary starts using the prepaid benefits, they have 10 years to finish using benefits.

C. Contract Payments

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.

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 (Transfer)	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.
G. Cancellation/Refunds	Refund equal to all contract payments made accumulated with applicable interest, less benefits paid and applicable cancellation fees. (Two percent annual interest is applicable to contracts purchased prior to the 2013/2014 enrollment period. No interest is applicable to contracts purchased during or after the 2013/2014 enrollment period.)
H. Death/Disability of Qualified Beneficiary	Refund equal to the value of the mean-weighted average cost of tuition at the colleges for the type of contract purchased will be made to the purchaser.
I. Other Ancillary Benefits	There are no ancillary benefits.
J. Truth in Tuition	Under Illinois' Truth-in-Tuition law, enacted with the Fall 2004 semester, the state's 12 public colleges and universities are required to charge incoming resident freshmen a fixed tuition rate for the first four years of college.
K. Changes from Previous Valuation	None.

College Illinois!® Prepaid Tuition Program

Supplemental Actuarial Soundness Valuation Report as of June 30, 2020

P: 312.456.9800 | www.grsconsulting.com

December 4, 2020

Mr. Eric Zarnikow
Executive Director
Illinois Student Assistance Commission
1755 Lake Cook Road
Deerfield, Illinois 60015-5209

Re: College Illinois!® Prepaid Tuition Program
Supplemental Actuarial Soundness Valuation Report as of 2020

Dear Mr. Zarnikow:

In accordance with the request of the Illinois Student Assistance Commission ("ISAC"), Gabriel, Roeder, Smith & Company ("GRS") has performed a projection of the College Illinois!® Prepaid Tuition Program ("Program" or "CIPTP") under a prescribed Closed Group Run-Off scenario. The purpose of this projection is to provide additional information to ISAC regarding the Program's projected funding status.

GRS provides independent actuarial services and advice to ISAC. GRS has no decision making authority or other such responsibility for ISAC, the State of Illinois, the CIPTP and anyone else affiliated with ISAC, and therefore, is specifically NOT serving in a fiduciary role in any way whatsoever.

Please understand that this projection was prepared at the request of ISAC and is intended for use by ISAC and those designated or approved by ISAC. This projection may be provided to parties other than ISAC only with the permission of ISAC. This projection should not be relied on for any purpose other than the purpose described above. GRS is not responsible for unauthorized use of this projection.

Future actuarial measurements may differ significantly from the current measurements presented in the attached projections 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 projection represents one of multiple documents providing actuarial soundness valuation results for the College Illinois!® Prepaid Tuition Program as of June 30, 2020. Additional information regarding the underlying financial and beneficiary data and important additional disclosures are provided in the June 30, 2020 Actuarial Soundness Valuation Report.

This projection 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 the CIPTP.

120 North LaSalle Street | Suite 1350 | Chicago, Illinois 60602-3495

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.

For purposes of this projection, we used the actuarial soundness valuation results from the June 30, 2020 Actuarial Soundness Valuation, and unless noted differently, the same actuarial assumptions and methods as used for the June 30, 2020 Actuarial Soundness Valuation. The projection results 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, 2020, and does not reflect subsequent market volatility, such as the future impact of COVID-19.

The projection results 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.

The College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period and is still not accepting new contracts. Program enrollment remains closed as ISAC continues to engage with legislators and the Governor's office to help define proposals that will address the Program's unfunded liability.

Under this Closed Group Run-Off Scenario, Trust assets are projected to be depleted in the future. 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 5.75% to 3.50% in yearly increments based on the number of years until the Trust assets are projected to be depleted and are no longer available 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 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 the underlying return on such assets in the State Portfolio is 3.50%.

According to the College Illinois!® Prepaid Tuition Program Disclosure Statement and Master Agreement:

> *There are risks associated with the Program Contracts. Though a Contract is not a savings program, Contract payments and related amounts are held in the Fund and invested.*

> *The Program's ability to honor existing and future Contracts depends primarily upon a combination of three factors: (i) continued Contract sales within projections; (ii) achieving a projected annual net return on Fund investments; and (iii) actual tuition/fee increases being within projected amounts. Favorable or unfavorable experience in one or more of these factors can result in the improvement or decline of the Program's funding.*
>
> *In the event Contract sales and/or investment returns are lower than expected or if tuition/fees increase beyond the Commission's expectations, the Program may not have sufficient funds to fulfill its obligations. The Program is a moral obligation of the State of Illinois requiring the Governor to request an appropriation from the State General Assembly in the event 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 of Illinois 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.*
>
> *The Program is not supported by the full faith and credit of the State of Illinois, nor is it guaranteed by the State's general fund.*
>
> *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 State's prepaid tuition statute, if the Program is discontinued, Beneficiaries who are or will enroll at an eligible institution within five years 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, if any, up to the time the Program is discontinued. Illinois Compiled Statutes, Chapter 110, Section 979/35. In the event of Program termination, the Commission will endeavor to provide refunds to Purchasers to the greatest extent possible; however, the Commission is unable to guarantee Purchasers will receive a full refund.*
>
> *Federal or state legislative action could diminish or even terminate the Program's tax advantages. There is no assurance that a change will not adversely affect the Program or the value of your interest in the Program. The Commission is not obligated to continue to offer the Program in the event that changes in state or federal laws reduce the Benefits available to Purchasers and Beneficiaries.*

This Closed Group Run-Off scenario was specifically prescribed to us by ISAC. Based on the actuarial assumptions and methods described above, the CIPTP will require additional solvency contributions from the State of Illinois in order to pay all of the required tuition and refund payments under this scenario.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

This report reflects the impact of COVID-19 through June 30, 2020. However, this report does not reflect the longer term and still developing future impact of COVID-19, which is likely to further influence demographic experience and economic expectations. We will continue to monitor these developments and their impact.

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 opinions herein.

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

Respectfully submitted,

Gabriel, Roeder, Smith & Company

Lance J. Weiss

Amy Williams

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

Amy Williams, ASA, MAAA, FCA
Senior Consultant

LJW/AW:dj

Table of Contents

SECTION A

BACKGROUND

Background

Purpose of Projection

In accordance with the request of the Illinois Student Assistance Commission (“ISAC”), Gabriel, Roeder, Smith & Company (“GRS”) has performed a projection of the College Illinois!® Prepaid Tuition Program (“Program” or “CIPTP”) under a Closed Group Run-Off scenario. The purpose of this projection is to provide additional information to ISAC regarding the Program’s projected funding status.

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.

The Actuarial Standards Board (ASB) recently adopted Actuarial Standards of Practice (ASOP) No. 51, *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*. ASOP No. 51 provides guidance to actuaries with regard to the assessment and disclosure of the risk that actual future measurements may differ significantly from expected future measurements when measuring obligations under a defined benefit pension plan and calculating actuarially determined contributions for such plans. The standard will be effective for any actuarial work product with a measurement date on or after November 1, 2018. Future supplemental projection reports for CIPTP may contain additional risk metrics, projections or calculations in accordance with guidance from ASOP No. 51 due to the similar nature of prepaid tuition plans to pension plans.

Closed Group Run-Off Scenario

The College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period and is still not accepting new contracts. Program enrollment remains closed as ISAC continues to engage with legislators and the Governor’s office to help define proposals that will address the Program’s unfunded liability.

While the closing of the CIPTP has not occurred (although program enrollment is currently on hold), we have performed a projection of the College Illinois!® Prepaid Tuition Program (“Program” or “CIPTP”) under a Closed Group Run-Off scenario assuming no new contract sales after June 30, 2020. Please note that this closed group scenario was specifically requested by ISAC and is being presented for illustrative purposes only.

Projection 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, 2020 Actuarial Soundness Valuation, and unless noted differently, the same actuarial assumptions and methods as used for the June 30, 2020 Actuarial Soundness Valuation.

SECTION B

PROJECTION RESULTS

Discussion of Scenario Results

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

Under this illustrative closed group scenario, we have assumed that the program continues to operate but with no new contract sales. 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 ($482.1 million for the period 2025 to 2056). The CIPTP funded status is projected to decrease from 63.4% in 2020 to 0.7% in 2025 (when additional solvency contributions are required) and then remain at about 0.0% for the remaining years in the projection period.

Under this scenario, the Trust assets are projected to be depleted 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 an initial rate of 5.75% for fiscal year 2021 to the ultimate rate of 3.50% in fiscal year 2025, in equal yearly increments of 0.563%.

SECTION C

PROJECTION TABLE

Closed Group Projections
Scenario 1 — Run-Off Scenario
Projection Based on Data as of June 30, 2020
Assumed Net Investment Return and Discount Rates Graded Down from 5.75% to 3.50% in 0.563% Yearly Increments
Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2020, Including Assumed Tuition and Fee Increase Assumption of 4.75%
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 Non-Investment Cash Flow	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
2020			$ 8,199,317	$ -	$ 143,553,125	$ 3,447,093	$ (138,800,900)	$ 8,197,902	$ 571,613,198	$ 16,995,180	$ 588,608,378	$ 908,101,822	$ 20,819,116	$ 928,920,938	$ 340,312,560	63.4%
2021	5.750%	0	5,093,620	-	141,239,473	3,533,270	(139,679,123)	28,908,109	460,842,184	12,734,388	473,576,572	815,074,321	18,382,784	833,457,105	359,880,533	56.8%
2022	5.187%	0	4,296,162	-	135,315,496	3,621,602	(134,640,936)	20,456,115	346,657,363	8,988,746	355,646,109	718,571,687	15,621,958	734,193,646	378,547,537	48.4%
2023	4.624%	0	3,052,084	-	130,631,721	3,272,634	(130,852,271)	13,038,319	228,843,411	6,282,535	235,125,946	618,180,645	12,996,875	631,177,520	396,051,574	37.3%
2024	4.061%	0	2,149,201	-	126,462,123	2,885,803	(127,198,725)	6,736,263	108,380,949	4,345,262	112,726,211	514,280,578	10,580,863	524,861,441	412,135,230	21.5%
2025	3.500%	0	1,446,838	2,078,446	111,325,794	2,460,794	(110,261,304)	1,880,355	-	3,025,407	3,025,407	419,023,157	8,447,706	427,470,863	424,445,456	0.7%
2026	3.500%	0	936,041	92,957,296	91,838,218	2,055,119	-	-	-	2,179,015	2,179,015	340,257,403	6,652,601	346,910,004	344,730,989	0.6%
2027	3.500%	0	771,699	83,251,642	82,312,812	1,710,529	-	-	-	1,470,193	1,470,193	268,425,514	5,145,236	273,570,750	272,100,557	0.5%
2028	3.500%	0	593,964	69,828,500	69,039,310	1,383,154	-	-	-	917,381	917,381	207,583,299	3,918,169	211,501,468	210,584,087	0.4%
2029	3.500%	0	399,725	58,390,886	57,694,226	1,096,385	-	-	-	542,829	542,829	156,153,523	2,939,899	159,093,421	158,550,592	0.3%
2030	3.500%	0	302,975	43,518,722	42,976,328	845,369	-	-	-	253,597	253,597	117,896,950	2,182,759	120,079,710	119,826,113	0.2%
2031	3.500%	0	178,208	36,051,510	35,575,502	654,216	-	-	-	81,173	81,173	85,830,624	1,593,590	87,424,214	87,343,041	0.1%
2032	3.500%	0	74,383	26,111,314	25,697,512	488,185	-	-	-	8,340	8,340	62,691,345	1,152,711	63,844,056	63,835,716	0.0%
2033	3.500%	0	2,960	19,659,700	19,297,171	365,488	-	-	-	5,621	5,621	45,253,575	821,227	46,074,801	46,069,180	0.0%
2034	3.500%	0	2,930	14,551,742	14,284,249	270,422	-	-	-	2,837	2,837	32,305,376	574,855	32,880,231	32,877,394	0.0%
2035	3.500%	0	2,886	10,870,526	10,675,538	197,874	-	-	-	-	-	22,575,311	393,668	22,968,979	22,968,979	0.0%
2036	3.500%	0	-	8,052,143	7,910,410	141,733	-	-	-	-	-	15,317,795	263,255	15,581,049	15,581,049	0.0%
2037	3.500%	0	-	5,666,766	5,568,193	98,573	-	-	-	-	-	10,189,119	172,185	10,361,304	10,361,304	0.0%
2038	3.500%	0	-	3,944,144	3,876,936	67,208	-	-	-	-	-	6,601,539	109,838	6,711,377	6,711,377	0.0%
2039	3.500%	0	-	2,736,896	2,692,263	44,633	-	-	-	-	-	4,093,620	68,275	4,161,895	4,161,895	0.0%
2040	3.500%	0	-	1,712,501	1,684,133	28,369	-	-	-	-	-	2,523,546	41,804	2,565,349	2,565,349	0.0%
2041	3.500%	0	-	1,050,413	1,032,487	17,925	-	-	-	-	-	1,561,469	25,030	1,586,500	1,586,500	0.0%
2042	3.500%	0	-	696,861	685,492	11,369	-	-	-	-	-	918,735	14,340	933,076	933,076	0.0%
2043	3.500%	0	-	428,512	421,655	6,856	-	-	-	-	-	521,920	7,867	529,787	529,787	0.0%
2044	3.500%	0	-	258,367	254,374	3,992	-	-	-	-	-	281,400	4,081	285,481	285,481	0.0%
2045	3.500%	0	-	143,222	141,016	2,206	-	-	-	-	-	147,786	1,979	149,765	149,765	0.0%
2046	3.500%	0	-	98,421	97,233	1,188	-	-	-	-	-	54,039	840	54,879	54,879	0.0%
2047	3.500%	0	-	28,749	28,304	445	-	-	-	-	-	27,135	416	27,551	27,551	0.0%
2048	3.500%	0	-	14,662	14,433	229	-	-	-	-	-	13,402	198	13,599	13,599	0.0%
2049	3.500%	0	-	7,858	7,742	116	-	-	-	-	-	5,994	87	6,081	6,081	0.0%
2050	3.500%	0	-	3,586	3,533	53	-	-	-	-	-	2,610	36	2,645	2,645	0.0%
2051	3.500%	0	-	1,685	1,661	24	-	-	-	-	-	1,011	13	1,024	1,024	0.0%
2052	3.500%	0	-	736	727	9	-	-	-	-	-	307	4	311	311	0.0%
2053	3.500%	0	-	268	265	3	-	-	-	-	-	48	1	49	49	0.0%
2054	3.500%	0	-	29	29	0	-	-	-	-	-	20	0	21	21	0.0%
2055	3.500%	0	-	14	14	0	-	-	-	-	-	7	0	7	7	0.0%
2056	3.500%	0	-	7	7	0	-	-	-	-	-	-	-	-	-	0.0%
2057	3.500%	0	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%

[a] *Additional contributions in the amount of $482,116,124 are needed over the years 2025 through 2056 to pay all benefits due.*

SECTION D

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Valuation Methods

Actuarial Value of Assets – The Actuarial Value of Assets is equal to the Market Value of Assets plus the present value of expected future contract payments from current contract holders.

Actuarial Valuation Assumptions

The rationale for the assumptions (except as indicated) may be found in the experience study report covering the period July 1, 2011 through June 30, 2014, which was issued on August 26, 2015. The assumptions were adopted for first use in the actuarial soundness valuation as of June 30, 2015.

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

Measurement Date

June 30, 2020

Net Investment Return Rate

The following select and ultimate rate structure, net of investment expenses and compounded annually, is assumed. Includes inflation assumption of 2.50 percent. (First effective with the actuarial soundness valuation as of June 30, 2020, and prescribed to us by ISAC.)

Net Investment Return Rate

Fiscal Year Ending 6/30	Net Investment Return Rate
2021	5.750%
2022	5.187%
2023	4.624%
2024	4.061%
2025+	3.500%

Considering the current asset allocation, current and future liquidity requirements and the fact that the program enrollment is on hold, we believe the current select and ultimate net investment rate of return assumption is reasonable, based on applicable Actuarial Standards of Practice. However, based on a survey of capital market assumptions, the probability of achieving the assumed returns is expected to be less than 50 percent.

Weighted Average Tuition and Fees (WATF) by Contract Type
Based on the Freshman Tuition Rates Adjusted for Differential Tuition (Blended)

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy†
2020-2021 Weighted Tuition	$4,075	$11,151	$14,106	$11,950
2020-2021 Weighted Fees	524	4,280	4,608	4,369
2020-2021 Total WATF	4,599	15,431	18,714	16,319

†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.

Weighted Average Tuition and Fees (WATF) Increase from Prior Year

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy
2020-2021 Total WATF	$4,599	$15,431	$18,714	$16,319
2019-2020 Total WATF	4,528	15,199	18,059	15,979
WATF Increase	1.57%	1.53%	3.63%	2.13%

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 2020-2021 WATF. The following bias loads were used 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.

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy
Bias Load	5.50%	2.50%	0.00%	4.00%

Tuition and Fee Increase Assumption

Tuition and Fee Increase Assumption - June 30, 2020, Actuarial Valuation				
Effective Date	Community College	University	University Plus	Legacy
6/30/2020 and Beyond	4.75%	4.75%	4.75%	4.75%

(First effective with the actuarial soundness valuation as of June 30, 2019, and prescribed to us by ISAC.)

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.

Truth in Tuition

Under Illinois' Truth-in-Tuition law, the state's 12 public colleges and universities are required to charge incoming resident freshmen a fixed tuition rate for the first four years of college. The Truth in Tuition law does not apply to community colleges.

For contract beneficiaries with a Choice 2, Choice 3 or Legacy contract, 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 contract beneficiaries with a Choice 1 contract, it was assumed that tuition will increase for each year enrolled. The fee portion of the WATF is assumed to increase each year for all contract types.

The following table shows the WAT (excluding fees) for the past four years that would be used for contract beneficiaries under the Truth-in-Tuition law. (Choice 1 is shown for informational purposes only.)

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy
2020-2021 Weighted Tuition	$4,075	$11,151	$14,106	$11,950
2019-2020 Weighted Tuition	4,012	11,025	13,885	11,687
2018-2019 Weighted Tuition	3,942	10,925	13,885	11,687
2017-2018 Weighted Tuition	3,862	10,675	13,884	11,525
2016-2017 Weighted Tuition	3,698	10,410	14,136	11,318

Rates of Cancellation

These rates are used to measure the probability of eligible contract beneficiaries cancelling their contracts before and after projected college entrance date. The rates apply to contract beneficiaries who have not yet matriculated. Once the contract beneficiaries are assumed to have matriculated and started using benefits, the cancellation rates do not apply.

Years from Projected College Entrance Year	Cancellation Rate
-17	8.0%
-16	7.0%
-15	6.0%
-14	4.0%
-13	4.0%
-12	3.0%
-11	3.0%
-10	3.0%
-9	2.0%
-8	1.5%
-7	1.5%
-6	1.5%
-5	1.5%
-4	1.0%

Years from Projected College Entrance Year	Cancellation Rate
-3	1.0%
-2	1.0%
-1	1.5%
0	1.5%
1	3.0%
2	3.0%
3	5.0%
4	5.0%
5	7.5%
6	7.5%
7	5.0%
8	5.0%
9	5.0%
10	100.0%

In the event of a cancellation, it was assumed that a refund will be paid equal to the amount of all contract payments made accumulated with applicable interest, less benefits paid. (Two percent annual interest is applicable to contracts purchased prior to the 2013/2014 enrollment period. No interest is applicable to contracts purchased during or after the 2013/2014 enrollment period.)

Rates of Enrollment

These rates are used to measure the probability of eligible contract beneficiaries matriculating at and beyond their projected college entrance date. The rates apply to contract beneficiaries who have not yet matriculated.

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%

Utilization of Benefits

The following rates apply to contract beneficiaries who (1) have not yet matriculated and (2) those who have matriculated, but have used fewer than 10 credits within the past year. For those who have matriculated, the projected college entrance year is assumed to be the valuation year. Contract beneficiaries are assumed to use the benefits as described by the CIPTP Master Agreement.

Distribution of Benefit Utilization									
Number of Years	Number of Semesters Purchased								
Since Matriculation	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%

For contract beneficiaries who have matriculated and have used 10 or more credits within the past year, it is assumed that the contract beneficiaries will utilize 22 credits per year until benefits are fully depleted.

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 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 2.50 percent for two years and then decline at the same rate the present value of benefits declines (combined with a 2.50 percent increase for inflation). The present value of future administrative expenses was determined to be equal to approximately 2.2 percent of the total liabilities.

Effective with the actuarial soundness valuation as of June 30, 2018, total administrative expenses were assumed to be all non-marketing related due to the ongoing deferment in open enrollment. The amount of administrative expenses assumed to be non-marketing related is the basis for the present value of future administrative expenses for current contract beneficiaries.

	Assumed Current Contract Beneficiary Expenses			
Fiscal Year	Marketing	Other Administration	Total Administrative Expenses	Marketing % of Total
2020	$0	$3,447,093	$3,447,093	0.00%
2021	0	3,533,270	3,533,270	0.00%
2022	0	3,621,602	3,621,602	0.00%

Mortality and Disability

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

Data Adjustments

The following contract beneficiary records were excluded from the actuarial valuation:

- Records with a payment status indicating they were cancelled;
- Records with a contract usage status of depleted; and
- Records with less than one contract unit remaining (the number of contract units purchased minus the number of contract units used is less than one).

The projected college entrance year was adjusted for contract beneficiaries who are not scheduled to have completed payments for the contract by the college entrance year provided in the data.

The account balance that is eligible to be refunded is calculated by GRS based on the contract payment information provided, increased with applicable interest, less any tuition and fee benefits paid to date. Two percent annual interest is applicable to contracts purchased prior to the 2013/2014 enrollment period. No interest is applicable to contracts purchased during or after the 2013/2014 enrollment period.

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.

The benefit shall never be less than the amount paid for the contract.

Benefits are available for use three years after the first payment due date. The plan must be paid in full prior to the use of any benefits. In addition, the beneficiary has up to 10 years from the projected college enrollment date to start using program benefits. Once the beneficiary starts using the prepaid benefits, they have 10 years to finish using benefits.

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.

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 (Transfer)

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.

G. Cancellation/Refunds

Refund equal to all contract payments made accumulated with applicable interest, less benefits paid and applicable cancellation fees. (Two percent annual interest is applicable to contracts purchased prior to the 2013/2014 enrollment period. No interest is applicable to contracts purchased during or after the 2013/2014 enrollment period.)

H. Death/Disability of Qualified Beneficiary

Refund equal to the value of the mean-weighted average cost of tuition at the colleges for the type of contract purchased will be made to the purchaser.

I. Other Ancillary Benefits

There are no ancillary benefits.

J. Truth in Tuition

Under Illinois' Truth-in-Tuition law, enacted with the fall 2004 semester, the state's 12 public colleges and universities are required to charge incoming resident freshmen a fixed tuition rate for the first four years of college.

K. Changes from Previous Valuation

None.

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

Report on the Financial Statements

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, 2020, 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 May 24, 2021. 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, 2020 of $322 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." Our opinions are not modified with respect to this matter.

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 financial statements. However, providing an opinion on compliance with these 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 items 2020-001 and 2020-002.

Internal Control Over Financial Reporting

Management of the State of Illinois, Illinois Student Assistance Commission is responsible for establishing and maintaining effective internal control over financial reporting (internal control). 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 above paragraphs 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. We did identify a certain deficiency in internal controls, described in the accompanying Schedule of Findings as item 2020-002, that we consider to be a significant deficiency.

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

The State of Illinois, Illinois Student Assistance Commission's response to the findings 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

Crowe, LLP

Oak Brook, Illinois
May 24, 2021

FINDING 2020-001 – DEBT COVENANT VIOLATION

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

During our audit of Fiscal Year 2020 financial statements, we noted that IDAPP was in violation of one of the debt covenants related to the agency's revolving credit (loan) agreement. In addition, the Three-Year Asset Backed Revolving Credit Facility (Facility) matured on July 27, 2010 and has not been repaid. Per the agreement, the default ratio is set at a maximum three-month rolling average of 5.0% or a maximum of 6.25% for any settlement period. We reviewed the monthly reports noting that 3 of these months rose above at least one of these ratios, ranging from 5.36% to 5.78% for the three-month average and 6.34% to 10.24% for the settlement period.

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 default ratio issues 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 $78,156,827 at June 30, 2020.

According to the Commission's management, the default ratio 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 agreement, 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. 2020-001, 2019-001, 2018-001, 2017-001, 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 the bank about the portfolio.

FINDING 2020-002 – LACK OF CENSUS DATA RECONCILIATIONS

The Illinois Student Assistance Commission (Commission) did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans that was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer. Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the Commission's employees are members of both the State Employees' Retirement System of Illinois (SERS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During testing, we noted the following:

1. The Commission had not performed an initial complete reconciliation of its census data recorded by SERS and CMS to its internal records to establish a base year of complete and accurate census data.

2. After establishing a base year, the Commission had not developed a process to annually obtain from SERS and CMS the incremental changes recorded by SERS and CMS in their census data records and reconcile these changes back to the Commission's internal supporting records.

For employers where their employees participate in plans with multiple-employer and cost-sharing features, the American Institute of Certified Public Accountants' Audit and Accounting Guide: State and Local Governments (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Commission establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

FINDING 2020-002 – LACK OF CENSUS DATA RECONCILIATIONS (Continued)

According to the Commission's management, while ISAC has a process in place to ensure accurate census data is submitted, we were not aware of the requirement to reconcile with SERS and CMS.

Failure to reconcile active members' census data reported to and held by SERS and CMS to the Commission's records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the Commission's pension and OPEB balances, which could result in a misstatement of these amounts. (Finding Code No. 2020-002)

Recommendation

We recommend the Commission work with SERS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary. After completing an initial full reconciliation, the Commission may limit the annual reconciliation to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods.

Commission Response

We agree with the recommendation. The Commission will work with SERS and CMS to develop a reconciliation process.