

**STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION**

FINANCIAL AUDIT

For the Year Ended June 30, 2023

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

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION

FINANCIAL AUDIT
For the Year Ended June 30, 2023

TABLE OF CONTENTS

AGENCY OFFICIALS	1
FINANCIAL STATEMENT REPORT	
SUMMARY	2
INDEPENDENT AUDITOR'S REPORT	3-5
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	6-7
STATEMENT OF ACTIVITIES.....	8
GOVERNMENTAL FUND FINANCIAL STATEMENTS	
BALANCE SHEET	9
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION.....	10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	11
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	12
ENTERPRISE FUND FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION.....	13-14
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	15-16
STATEMENT OF CASH FLOWS	17-18
NOTES TO FINANCIAL STATEMENTS	19-78
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE – MAJOR GOVERNMENTAL FUND – GENERAL FUND – BUDGETARY BASIS	79
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	80

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION

FINANCIAL AUDIT
For the Year Ended June 30, 2023

TABLE OF CONTENTS (Continued)

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

COMBINING SCHEDULE OF ACCOUNTS – GENERAL FUND 81

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GENERAL FUND 82

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET 83-84

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE..... 85-86

NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF NET POSITION..... 87-88

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION 89

COMBINING STATEMENT OF CASH FLOWS 90

OTHER INFORMATION

ACTUARIAL SOUNDNESS VALUATION REPORT (UNAUDITED) 91-132

SUPPLEMENTAL ACTUARIAL SOUNDNESS VALUATION REPORT (UNAUDITED) 133-156

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..... 157-158

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
FINANCIAL AUDIT
For the Year Ended June 30, 2023

Commission Officials:

Executive Director	Eric Zarnikow
Chief Financial Officer	Rolake Adedara (Interim) (01/01/24 – Present) Shoba Nandhan (Up to 12/31/23)
Chief Investment Officer	Vacant (09/24/22 – Present) Carmen Heredia-Lopez (Up to 09/24/22)
Director of Investments	Roger Rojas (09/24/22 – Present)
General Counsel	William G. Farrar (11/16/23 – Present) Rich Nowell (Interim) (Up to 10/31/23)
Chief Internal Audit Officer	Kishor Desai

Governing Board:

Chairman	Kevin B. Huber
Vice Chair	Elizabeth V. Lopez
Commissioner	Niketa Brar (Up to 06/07/23)
Commissioner	James A. Hibbert
Commissioner	Maureen Amos
Commissioner	Dr. Jonathan “Josh” Bullock
Commissioner	Franciene Sabens
Commissioner	Darryl Arrington
Commissioner	Thomas Dowling
Student Commissioner	Payton Ade

Commission Offices:

1755 Lake Cook Road
Deerfield, IL 60015-5209

500 West Monroe
Springfield, IL 62704

160 North LaSalle Street
Suite N-100
Chicago, IL 60601

FINANCIAL STATEMENT REPORT

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
FINANCIAL AUDIT
For the Year Ended June 30, 2023

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

Number of	<u>Current Report</u>	<u>Prior Report(s)</u>
Findings	0	0
Repeated Findings	0	0
Prior Recommendations Implemented or Not Repeated	0	1

SCHEDULE OF FINDINGS

Current Findings

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
None				

Prior Findings Not Repeated

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>
None			

EXIT CONFERENCE

In correspondence received from Rolake Adedara, Interim Chief Financial Officer, on March 7, 2024, the Commission elected to waive a formal exit conference.



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 Audit of the Financial Statements

Opinions

As Special Assistant Auditors for the Auditor General, we have audited 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, 2023, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Illinois, Illinois Student Assistance Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2023, 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 14, the amount of the net position in the Illinois Prepaid Tuition Program Fund 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 State of Illinois, Illinois Student Assistance Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 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. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary 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 combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the actuarial soundness valuation reports but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2024, 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 solely 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.

SIGNED ORIGINAL ON FILE

Crowe LLP

Oak Brook, Illinois
March 13, 2024

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
June 30, 2023
(Dollars in thousands)

	Governmental Activities	Business-Type Activities	Total
Assets			
Current			
Unrestricted			
Unexpended appropriations	\$ 37,356	\$ -	\$ 37,356
Cash and cash equivalents	306	109,980	110,286
Investments	-	137,137	137,137
Receivables			
Contracts	-	1,721	1,721
Recoverable taxes	-	1	1
Accrued interest on investments	-	447	447
Other	1,477	-	1,477
Securities lending collateral	-	18,465	18,465
Due from other State funds	-	11,432	11,432
Total current assets - unrestricted	<u>39,139</u>	<u>279,183</u>	<u>318,322</u>
Restricted			
Cash and cash equivalents	-	7,219	7,219
Receivables			
Student loans	-	13,523	13,523
Accrued interest on loans	-	31,151	31,151
Federal special allowance and interest subsidy	-	818	818
Total current assets - restricted	<u>-</u>	<u>52,711</u>	<u>52,711</u>
Non-current			
Unrestricted			
Investments	-	447,356	447,356
Contracts receivable	-	3,679	3,679
Notes receivable	2,293	-	2,293
Capital assets, net of accumulated depreciation/amortization	7,522	1,081	8,603
Total non-current assets - unrestricted	<u>9,815</u>	<u>452,116</u>	<u>461,931</u>
Restricted			
Student loans receivable, net	-	99,167	99,167
Total non-current assets - restricted	<u>-</u>	<u>99,167</u>	<u>99,167</u>
Total assets	<u>48,954</u>	<u>883,177</u>	<u>932,131</u>
Deferred Outflows of Resources			
Pension related amounts	43,158	5,682	48,840
OPEB related amounts	23,719	2,383	26,102
Total deferred outflows of resources	<u>66,877</u>	<u>8,065</u>	<u>74,942</u>

(Continued)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
June 30, 2023
(Dollars in thousands)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Liabilities			
Current			
Accounts payable and accrued liabilities	\$ 3,306	\$ 10,151	\$ 13,457
Accrued interest payable	-	780	780
Due to other State funds	1	216	217
Due to State of Illinois component units	35,549	2,805	38,354
Unearned revenue	5	-	5
Securities lending collateral obligation	-	18,465	18,465
Intergovernmental payable	-	33,978	33,978
Total liability - OPEB	83	73	156
Lease liability	-	113	113
Compensated absences	188	40	228
Tuition obligation	-	105,578	105,578
Line of credit	-	39,601	39,601
Total current liabilities	<u>39,132</u>	<u>211,800</u>	<u>250,932</u>
Non-current			
Revenue bonds and notes payable, net	-	49,386	49,386
Net liability - pension	98,123	12,870	110,993
Total liability - OPEB	31,754	3,172	34,926
Lease liability	-	590	590
SBITA liability	-	37	37
Compensated absences	1,689	367	2,056
Tuition obligation	-	447,645	447,645
Total non-current liabilities	<u>131,566</u>	<u>514,067</u>	<u>645,633</u>
Total liabilities	<u>170,698</u>	<u>725,867</u>	<u>896,565</u>
Deferred Inflows of Resources			
Unamortized deferred amount on refunding	-	12,801	12,801
Pension related amounts	11,290	24,637	35,927
OPEB related amounts	43,537	19,628	63,165
Total deferred inflows of resources	<u>54,827</u>	<u>57,066</u>	<u>111,893</u>
Net Position			
Net investment in capital assets	7,522	341	7,863
Restricted for debt service	-	49,310	49,310
Restricted for tuition payments and administrative expenses	-	10,485	10,485
Restricted for federal programs	91	-	91
Unrestricted	<u>(117,307)</u>	<u>48,173</u>	<u>(69,134)</u>
Total net position	<u>\$ (109,694)</u>	<u>\$ 108,309</u>	<u>\$ (1,385)</u>

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023
(Dollars in thousands)

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental activities</u>						
Education						
Scholarships, awards and grants	\$ 688,523	\$ -	\$ 3,118	\$ (685,405)	\$ -	\$ (685,405)
Total governmental activities	<u>688,523</u>	<u>-</u>	<u>3,118</u>	<u>(685,405)</u>	<u>-</u>	<u>(685,405)</u>
<u>Business-type activities</u>						
Education						
Student loan purchase program	4,578	11,387	-	-	6,809	6,809
Prepaid tuition	10,864	177	35,934	-	25,247	25,247
Loan guarantee program	19,612	2,918	33,890	-	17,196	17,196
Total business-type activities	<u>35,054</u>	<u>14,482</u>	<u>69,824</u>	<u>-</u>	<u>49,252</u>	<u>49,252</u>
Total Commission	<u>\$ 723,577</u>	<u>\$ 14,482</u>	<u>\$ 72,942</u>	<u>(685,405)</u>	<u>49,252</u>	<u>(636,153)</u>
General revenues and transfers						
General revenues						
Appropriations from State resources				682,812	-	682,812
Lapsed appropriations				(13,683)	-	(13,683)
Receipts remitted to State Treasury				(4,710)	-	(4,710)
SERS on behalf contribution				9,789	-	9,789
Investment income				-	4,627	4,627
Miscellaneous				2,120	-	2,120
Total general revenues and transfers				<u>676,328</u>	<u>4,627</u>	<u>680,955</u>
Change in net position				(9,077)	53,879	44,802
Net position (deficit) July 1, 2022				<u>(100,617)</u>	<u>54,430</u>	<u>(46,187)</u>
Net position (deficit) June 30, 2023				<u>\$ (109,694)</u>	<u>\$ 108,309</u>	<u>\$ (1,385)</u>

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023
(Dollars in thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Unexpended appropriations	\$ 37,179	\$ 177	\$ 37,356
Cash and cash equivalents	-	306	306
Other receivables	704	773	1,477
Notes receivable, net of allowance of \$36,275	2,293	-	2,293
Total assets	\$ 40,176	\$ 1,256	\$ 41,432
Liabilities			
Accounts payable and accrued liabilities	\$ 2,334	\$ 972	\$ 3,306
Due to other State funds	-	1	1
Due to State of Illinois component units	35,549	-	35,549
Unearned revenues	-	5	5
Total liabilities	37,883	978	38,861
Fund Balances			
Nonspendable - notes receivable	2,293	-	2,293
Committed	-	189	189
Restricted	-	91	91
Unassigned	-	(2)	(2)
Total fund balances	2,293	278	2,571
Total liabilities and fund balances	\$ 40,176	\$ 1,256	\$ 41,432

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, 2023
 (Dollars in thousands)

Total fund balances - governmental funds	\$	2,571
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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		(14,431)	
Total capital assets		7,522	

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 financial resources and, therefore, are not reported in governmental funds.

These amounts consist of:

Deferred outflows - pension related		43,158	
Deferred outflows - OPEB related		23,719	
Net liability - pension		(98,123)	
Total liability - OPEB		(31,837)	
Deferred inflows - pension related		(11,290)	
Deferred inflows - OPEB related		(43,537)	
Compensated absences		(1,877)	
		(119,787)	

Net position of governmental activities		<u><u>\$ (109,694)</u></u>
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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2023
(Dollars in thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Federal government	\$ -	\$ 3,118	\$ 3,118
Other	1	2,119	2,120
Total revenues	1	5,237	5,238
Expenditures			
Education			
Scholarships, awards and grants	670,535	7,684	678,219
Total expenditures	670,535	7,684	678,219
Deficiency of revenues over expenditures	(670,534)	(2,447)	(672,981)
Other sources (uses) of financial resources			
Appropriations from State resources	680,231	2,581	682,812
Lapsed appropriations	(13,683)	-	(13,683)
Receipts remitted to State Treasury	(4,710)	-	(4,710)
SERS on behalf contribution	9,789	-	9,789
Net other sources (uses) of financial resources	671,627	2,581	674,208
Net change in fund balance	1,093	134	1,227
Fund balance, July 1, 2022	1,200	144	1,344
Fund balance, June 30, 2023	\$ 2,293	\$ 278	\$ 2,571

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, 2023
 (Dollars in thousands)

Net change in fund balances - total governmental funds	\$ 1,227
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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 FY2023.	(504)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) Decrease in unpaid accumulated vacation and sick leave	(55)
Increase (Decrease) in deferred outflows - pension related	(9,360)
Increase (Decrease) in deferred outflows - OPEB related	(9,235)
(Increase) Decrease in deferred inflows - pension related	12
(Increase) Decrease in deferred inflows - OPEB related	(21,833)
(Increase) Decrease in net liability - pension related	(3,286)
(Increase) Decrease in net liability - OPEB related	<u>33,957</u>

Change in net position of governmental activities	<u>\$ (9,077)</u>
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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2023
(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	\$ 3,691	\$ 3,813	\$ 102,476	\$ 109,980
Investments	28,991	108,146	-	137,137
Receivables				
Contracts	-	1,721	-	1,721
Recoverable taxes	-	1	-	1
Accrued interest on investments	49	28	370	447
Securities lending collateral	-	-	18,465	18,465
Due from other State funds	-	-	11,432	11,432
Due from other ISAC funds	-	-	1,957	1,957
Total current assets - unrestricted	<u>32,731</u>	<u>113,709</u>	<u>134,700</u>	<u>281,140</u>
Restricted				
Cash and cash equivalents	7,219	-	-	7,219
Receivables				
Student loans receivable, net of allowance of \$9,880	13,523	-	-	13,523
Accrued interest on loans	31,151	-	-	31,151
Federal special allowance and interest subsidy	818	-	-	818
Total current assets - restricted	<u>52,711</u>	<u>-</u>	<u>-</u>	<u>52,711</u>
Noncurrent				
Unrestricted				
Investments	-	447,356	-	447,356
Contracts receivable	-	3,679	-	3,679
Capital assets, net of accumulated depreciation/amortization	-	-	1,081	1,081
Total noncurrent assets - unrestricted	<u>-</u>	<u>451,035</u>	<u>1,081</u>	<u>452,116</u>
Restricted				
Student loans receivable, net of allowance of \$72,456	99,167	-	-	99,167
Total noncurrent assets - restricted	<u>99,167</u>	<u>-</u>	<u>-</u>	<u>99,167</u>
Total assets	<u>184,609</u>	<u>564,744</u>	<u>135,781</u>	<u>885,134</u>
Deferred Outflows of Resources				
Pension related amounts	287	-	5,395	5,682
OPEB related amounts	258	-	2,125	2,383
Total deferred outflows of resources	<u>545</u>	<u>-</u>	<u>7,520</u>	<u>8,065</u>
Total assets and deferred outflows of resources	<u>\$ 185,154</u>	<u>\$ 564,744</u>	<u>\$ 143,301</u>	<u>\$ 893,199</u>

(Continued)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2023
(Dollars in thousands)

	Illinois Designated Account Purchase Program <u>Fund</u>	Illinois Prepaid Tuition Program <u>Fund</u>	Nonmajor Enterprise <u>Funds</u>	<u>Total</u>
Liabilities				
Current				
Accounts payable and accrued liabilities	\$ 75	\$ 977	\$ 9,099	\$ 10,151
Accrued interest payable	780	-	-	780
Tuition obligation	-	105,578	-	105,578
Due to other ISAC funds	1,909	48	-	1,957
Due to other State funds	-	-	216	216
Due to State of Illinois component units	-	11	2,794	2,805
Securities lending collateral obligation	-	-	18,465	18,465
Intergovernmental payable	-	-	33,978	33,978
Total liability - OPEB	26	-	47	73
Lease liability	-	-	113	113
Compensated absences	3	-	37	40
Revolving credit line	39,601	-	-	39,601
Total current liabilities	<u>42,394</u>	<u>106,614</u>	<u>64,749</u>	<u>213,757</u>
Noncurrent				
Tuition obligation	-	447,645	-	447,645
Revenue bonds and notes payable, net	49,386	-	-	49,386
Net liability - pension	2,102	-	10,768	12,870
Total liability - OPEB	588	-	2,584	3,172
Lease liability	-	-	590	590
SBITA liability	-	-	37	37
Compensated absences	30	-	337	367
Total noncurrent liabilities	<u>52,106</u>	<u>447,645</u>	<u>14,316</u>	<u>514,067</u>
Total liabilities	<u>94,500</u>	<u>554,259</u>	<u>79,065</u>	<u>727,824</u>
Deferred Inflows of Resources				
Unamortized deferred amount on refunding	12,801	-	-	12,801
Pension related amounts	362	-	24,275	24,637
OPEB related amounts	1,022	-	18,606	19,628
Total deferred inflows of resources	<u>14,185</u>	<u>-</u>	<u>42,881</u>	<u>57,066</u>
Net Position				
Net investment in capital assets	-	-	341	341
Restricted for debt service	49,310	-	-	49,310
Restricted for tuition payments and administrative expenses	-	10,485	-	10,485
Unrestricted	27,159	-	21,014	48,173
Total net position	<u>76,469</u>	<u>10,485</u>	<u>21,355</u>	<u>108,309</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 185,154</u>	<u>\$ 564,744</u>	<u>\$ 143,301</u>	<u>\$ 893,199</u>

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, 2023
(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	\$ 11,387	\$ -	\$ -	\$ 11,387
Income - investments (net of closed end funds investment management fees of \$568 and performance allocation of \$21)	1,289	35,546	-	36,835
Interest - other	-	388	-	388
Total investment income	<u>12,676</u>	<u>35,934</u>	<u>-</u>	<u>48,610</u>
Other operating revenues				
Fees	-	177	-	177
Other	-	-	2,918	2,918
Total other operating revenues	<u>-</u>	<u>177</u>	<u>2,918</u>	<u>3,095</u>
Total operating revenues	<u>12,676</u>	<u>36,111</u>	<u>2,918</u>	<u>51,705</u>
Operating expenses				
Interest and other student loan expenses				
Interest expense				
Revenue bonds and notes	1,082	-	-	1,082
Other student loan fees	708	-	-	708
Provision for loan losses	3,762	-	-	3,762
Total interest and other student loan expenses	<u>5,552</u>	<u>-</u>	<u>-</u>	<u>5,552</u>
Other operating expenses				
Salaries and employee benefits	547	645	317	1,509
Pension expenses	(25)	-	(11,216)	(11,241)
OPEB expenses	(252)	-	(6,593)	(6,845)
Loan guarantee	-	-	1,151	1,151
External loan servicing	663	-	-	663
Accreted tuition expenses	-	7,652	-	7,652
Investment management fees	-	264	-	264
Investment advisory fees	-	682	-	682
Management and professional services	301	1,621	35,697	37,619
Depreciation and amortization	-	-	256	256
Other	19	-	-	19
Total other operating expenses	<u>1,253</u>	<u>10,864</u>	<u>19,612</u>	<u>31,729</u>
Total operating expenses	<u>6,805</u>	<u>10,864</u>	<u>19,612</u>	<u>37,281</u>
Operating income (loss)	<u>5,871</u>	<u>25,247</u>	<u>(16,694)</u>	<u>14,424</u>

(Continued)

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, 2023
(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	\$ 2,250	\$ -	\$ -	\$ 2,250
ECACE grant revenue	-	-	33,890	33,890
Interest revenue	-	-	3,338	3,338
Interest expense	-	-	(23)	(23)
Total non-operating revenues (expenses)	<u>2,250</u>	<u>-</u>	<u>37,205</u>	<u>39,455</u>
Change in fund net position	8,121	25,247	20,511	53,879
Net position (deficit), July 1, 2022	<u>68,348</u>	<u>(14,762)</u>	<u>844</u>	<u>54,430</u>
Net position (deficit), June 30, 2023	<u>\$ 76,469</u>	<u>\$ 10,485</u>	<u>\$ 21,355</u>	<u>\$ 108,309</u>

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2023
(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	\$ -	\$ 177	\$ 3,757	\$ 3,934
Cash payments for tuition	-	(90,483)	-	(90,483)
Cash payments to suppliers for goods and services	(1,005)	(2,167)	(50)	(3,222)
Cash payments to employees for services	(588)	(645)	(720)	(1,953)
Cash payments for loan guarantees	-	-	(6,443)	(6,443)
Cash receipts from student loans and fees	44,695	-	-	44,695
Cash receipts from tuition contracts	-	2,940	-	2,940
Cash payments for student loans	(857)	-	-	(857)
Cash payments for refund of contracts	-	(24,704)	-	(24,704)
Cash payments for other operating activities	-	-	(29,285)	(29,285)
Net cash provided (used) by operating activities	<u>42,245</u>	<u>(114,882)</u>	<u>(32,741)</u>	<u>(105,378)</u>
Cash flows from noncapital financing activities				
Principal paid on revenue bonds and other borrowings	(39,379)	-	-	(39,379)
Interest paid on revenue bonds and other borrowings	(4,495)	-	-	(4,495)
Special allowance and interest subsidy	1,171	-	-	1,171
Operating grants received	-	-	27,237	27,237
Net cash provided (used) by noncapital financing activities	<u>(42,703)</u>	<u>-</u>	<u>27,237</u>	<u>(15,466)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	-	(124)	(124)
Principal paid on capital debt	-	-	(158)	(158)
Interest paid on capital debt	-	-	(23)	(23)
Net cash used in capital and related financing activities	<u>-</u>	<u>-</u>	<u>(305)</u>	<u>(305)</u>
Cash flows from investing activities				
Purchase of investment securities	(26,547)	(331,791)	-	(358,338)
Proceeds from sales and maturities of investment securities	24,119	210,179	-	234,298
Interest and dividends on investments	700	15,396	3,065	19,161
Cash paid to investment managers	-	(264)	-	(264)
Net cash provided (used) by investing activities	<u>(1,728)</u>	<u>(106,480)</u>	<u>3,065</u>	<u>(105,143)</u>
Decrease in cash and cash equivalents	<u>(2,186)</u>	<u>(221,362)</u>	<u>(2,744)</u>	<u>(226,292)</u>
Cash and cash equivalents, July 1, 2022	<u>13,096</u>	<u>225,175</u>	<u>105,220</u>	<u>343,491</u>
Cash and cash equivalents, June 30, 2023	<u>\$ 10,910</u>	<u>\$ 3,813</u>	<u>\$ 102,476</u>	<u>\$ 117,199</u>

(Continued)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2023
(Dollars in thousands)

	Illinois Designated Account Purchase <u>Program Fund</u>	Illinois Prepaid Tuition Program <u>Fund</u>	Nonmajor Enterprise <u>Funds</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 5,871	\$ 25,247	\$ (16,694)	\$ 14,424
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation and amortization	-	-	256	256
Investment income	(1,289)	(34,988)	-	(36,277)
Interest expense	1,082	-	-	1,082
Accreted tuition expense	-	7,652	-	7,652
Provision for loan losses	3,762	-	-	3,762
Change in assets, liabilities and deferred outflows/inflows of resources				
Contracts receivable	-	2,425	-	2,425
Student loans receivable	35,843	-	-	35,843
Intergovernmental receivables	-	-	96	96
Investments receivable	-	212,604	-	212,604
Accrued interest - loans and notes	(2,683)	-	-	(2,683)
Due from other State funds	-	-	97	97
Accounts payable and accrued liabilities	(23)	(212,991)	(798)	(213,812)
Intergovernmental payables	-	-	1,208	1,208
Due to other ISAC funds	-	(75)	-	(75)
Due to other State funds and component units	-	(84)	1,347	1,263
Tuition obligation	-	(114,672)	-	(114,672)
Compensated absences	(41)	-	(41)	(82)
Deferred inflows related to pensions and OPEB	256	-	(1,694)	(1,438)
Deferred outflows related to pensions and OPEB	(29)	-	5,422	5,393
Net liability - pension	(50)	-	(13,263)	(13,313)
Total liability - OPEB	(454)	-	(8,677)	(9,131)
Total adjustments	<u>36,374</u>	<u>(140,129)</u>	<u>(16,047)</u>	<u>(119,802)</u>
Net cash provided (used) by operating activities	<u>\$ 42,245</u>	<u>\$ (114,882)</u>	<u>\$ (32,741)</u>	<u>\$ (105,378)</u>
Supplemental disclosure of noncash transactions:				
Net appreciation in fair value of investments	<u>\$ 541</u>	<u>\$ 21,857</u>	<u>\$ -</u>	<u>\$ 22,398</u>

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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 160 North LaSalle Street 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 \$7,200 in Fiscal Year 2023 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 2023.

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 2023.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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 \$7,500 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.

Early Childhood Access Consortium for Equity Scholarship Program: The Early Childhood Access Consortium for Equity (ECACE) Scholarship Program was created to address the shortage of qualified early childhood educators by encouraging the pursuit of credentials and advancement of already-held degrees in early childhood education, with an aim toward building a strong, well-prepared workforce.

Scholars receive financial assistance that will cover the applicant's total cost of attendance for an academic year (including summer) after other financial aid received. Students at participating non-profit private institutions may receive an amount no more than the cost of the most expensive program of study in the early childhood education field at an Illinois public college. Recipients of the scholarship are expected to continue or return to teaching or direct services in the early childhood care and education field in Illinois after they complete their program of study.

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.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 1 - ORGANIZATION (Continued)

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.

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 Education Grant Pilot 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:

- Grant for Program Participants in SIU-C Achieve Program*
- Grant Program for Exonerees
- Police Training Academy Job Training Program*
- Adult Vocational Community College Scholarship Program*

* These programs were not funded in Fiscal Year 2023.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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.

As of May 1, 2022, ISAC has exited the FFEL Program as a guarantor and the portfolio has been transferred to a successor guarantor agency. Please see Note 15 for details.

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.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 1 - ORGANIZATION (Continued)

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

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, 2023.

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.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 1 - ORGANIZATION (Continued)

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.

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 \$2.65 million 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 Annual Comprehensive 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 annual comprehensive financial report.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are clearly identifiable with a specific function, including each activity's share of allocated (shared) costs. Interest expense related to borrowing for student loan activities (business-type activities) totaling \$1,082 (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 2023, the Commission received appropriations through the General Fund - Educational Assistance Account, as well as General Fund – State CURE Account. These accounts are shared accounts and their 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 these funds are held in the State Treasury.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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 Annual Comprehensive 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 2023 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.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2023 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 \$5,400 as of June 30, 2023, using a 5.00% discount rate. The Program expects to receive contributions totaling \$1,721 in Fiscal Year 2024. 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 fourteen 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.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

<u>Capital Asset Category</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
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.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 18,726 contracts held by the fund as of June 30, 2023, 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.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, for the Prepaid Tuition Program, the net position at year-end (when positive) is restricted by the provisions of the tuition contracts, for tuition payments for beneficiaries of the contract owners, and administrative expenses. Net deficits however are categorized as unrestricted and represent the unfunded liability of the Program.

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.

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.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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.

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).

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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 Annual Comprehensive Financial Report (ACFR). A copy of the ACFR 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.

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 Program.

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

The investment policy represents the comprehensive investment plan as referred to in the Illinois Prepaid Tuition Act. The investment 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.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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 Director of Investments 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 Director of Investments 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 Director of Investments reports directly to the Executive Director and has a "dotted-line" reporting relationship to the Commission. The Director of Investments has the authority and responsibility to ensure that the Commission is adequately informed on matters and concerns relating to Fund investments. The Director of Investments 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 Illinois 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 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 Director of Investments, 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 Director of Investments 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 Director of Investments, Investment Committee, Commission, and the Investment Advisory Panel with the selection of investment managers and custodians.

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 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.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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 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 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 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 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.

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Program'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 Program has no policy that would further limit the requirements under State law. As of June 30, 2023, the 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 \$106,595 at June 30, 2023. 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 Annual Comprehensive Financial Report.

(Continued)

STATE OF ILLINOIS
 ILLINOIS STUDENT ASSISTANCE COMMISSION
 NOTES TO FINANCIAL STATEMENTS
 (Dollars in thousands)
 Year Ended June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2023, 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, 2023, 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, 2023, IDAPP had money market funds of \$6,792 and U.S. Treasury securities of \$28,991; 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, 2023, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Government securities (U.S. Treasury bills/notes)	<u>\$ 28,991</u>	0.70

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, 2023, 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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating Moody's</u>
Money market funds	<u>\$ 6,792</u>	Aaa-mf

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

The investment policy authorizes IDAPP to utilize a third-party custodian (Trustee) to safe-keep the assets of the fund and to provide reports on a monthly basis to all necessary parties. The custodian is responsible for sweeping all interest and dividend payments and any other un-invested cash into a short-term government money market fund. IDAPP has no investments subject to custodial credit risk at June 30, 2023.

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, 2023, 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 Program's most recent revision to the investment policy in June 2023. 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, Neuberger Berman, Portfolio Advisors, RhumbLine Advisors, 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, 2023, 16.2% of the funds were invested in U.S. Equities, 25.9% in Fixed Income, 15.6% in Non-U.S. Equities, 3.0% in Infrastructure Funds, 0.2% in Absolute Return Funds, 0.2% in Private Equity Funds, 8.3% in Real Estate, 3.5% in Real Estate Investment Trust, 4.2% in High Yield, and 22.9% in cash and equivalents combined with short term treasury bills and notes.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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 that may include arbitrage, global commodities, and global macro. Private equity, real estate and infrastructure investment portfolios consist of passive interests in non-publicly traded companies. The Program had outstanding unfunded commitments of approximately \$0.3 million to private equity partnerships and \$5.4 million to infrastructure funds as of June 30, 2023.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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, 2023, are presented below by investment type and by investment manager:

Investment Managers Asset Allocation June 30, 2023				
Asset Class	Investment Manager	Fair Value	Actual Allocation	
All-Cap Core Equity	RhumbLine Advisers	\$ 90,721	16.22%	
Total U.S. Equity		90,721	16.22%	
International Equity	Ativo	42,536	7.60%	
International Equity	Dimensional Fund Advisors	44,569	7.97%	
International equity recoverable taxes	Northern Trust	1	0.00%	
Total Non-U.S. Equity		87,106	15.57%	
Fixed Income-Passive Core	State Street Global Advisors	47,032	8.41%	
Fixed Income-Core Plus	T. Rowe Price	50,766	9.08%	
Fixed Income-U.S. Intermediate	Garcia Hamilton	46,821	8.37%	
Total Fixed Income		144,619	25.86%	
High Yield	DDJ Strategic Income Plus	23,360	4.18%	
Total High Yield		23,360	4.18%	
REIT Preferred Growth	Security Capital Research	19,459	3.48%	
Total REIT		19,459	3.48%	
Real Estate-Private Equity	Lyrical-Antheus	46,504	8.31%	
Total Real Estate		46,504	8.31%	
Infrastructure-Diversified Value Add	Alinda Infrastructure	214	0.04%	
Infrastructure-Asia Opportunities	The Rohatyn Group	16,543	2.96%	
Total Infrastructure		16,757	3.00%	
Absolute Return Fund-Conservative	Neuberger Berman	1,149	0.20%	
Total Absolute Return Funds		1,149	0.20%	
Private Equity Secondary FoFs	Portfolio Advisors	1,276	0.23%	
Total Private Equity		1,276	0.23%	
Short Term Treasury Notes	Garcia Hamilton	124,552	22.27%	
Total Short Term Treasury Notes		124,552	22.27%	
Total Investments		555,503	99.32%	
Cash and Equivalents	Northern Trust	2,775	0.50%	
Cash and Equivalents	Illinois Funds, Treasury and lock box	1,038	0.18%	
Total Cash Equivalents		3,813	0.68%	
TOTAL PORTFOLIO		\$ 559,316	100%	

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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 \$264 for the year ended June 30, 2023, 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 2023 amounts to \$682.

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
- Alinda Capital Partners
- The Rohatyn Group
- Portfolio Advisors

Approximately \$568 in investment advisory fees and \$21 in performance allocation fees are included in the amount reported for income from investment securities for the Fiscal Year ending June 30, 2023, 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.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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:

Fixed Income Portfolio Manager	Average Duration	Bloomberg Aggregate Bond Index	Bloomberg Int. Government/ Credit Index
Garcia Hamilton	4.52 Years	N/A	3.81 Years
SSGA U.S. Aggregate Bond Index (common collective trust)	6.29 Years	6.31 Years	N/A
T. Rowe Price	6.59 Years	6.31 Years	N/A

Portfolio Weighted Average Maturity

Investment Type	Fair Value	Weighted Average Maturity (in Years)
U.S. Treasury notes	\$ 139,246	0.88
U.S. Treasury bonds	13,053	12.86
Bond common collective trust	47,032	8.79
Municipal/provincial bonds	150	17.44
Non U.S. government bonds denominated in U.S. dollars	560	7.91
Non U.S. government bonds denominated in foreign currency	555	25.09
Multi-sector funds	28,544	8.70
Government agency short-term bills and notes	300	0.04
Corporate debt securities	5,229	5.98
Corporate asset-backed securities	4,347	11.64
Mortgage backed securities (MBS):		
Government agencies	25,215	25.83
Non-Government backed	1,770	32.31
Commercial	1,533	22.77
Total Fair Value	\$ 267,534	
Portfolio weighted average maturity		6.72

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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, 2023, 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:

June 30, 2023		
	Total Fair	Credit Rating*
	Value	Moody's
Money market mutual funds	\$ 6,968	NR
Illinois Funds	33	NR
Bond common collective trust	47,032	NR
Multi-sector funds	28,544	NR
Municipal/Provincial debt	150	NR
Government agency short term bills and notes	300	Aaa
Non U.S. government bonds denominated in U.S. dollars	560	Ba
Corporate debt securities	5,229	A

*NR - not rated

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Ratings (Multiple-Rated Securities)

June 30, 2023

Rating Agency	Investment Type	Credit Rating*	Fair Value
Moody's:	Commercial Mortgage-Backed	Aaa	\$ 196
	Commercial Mortgage-Backed	Aa	145
	Commercial Mortgage-Backed	A	187
	Commercial Mortgage-Backed	B	84
	Commercial Mortgage-Backed	Baa	306
	Commercial Mortgage-Backed	NR	615
			<u>1,533</u>
Moody's:	Corporate Asset Backed Securities	Aaa	1,173
	Corporate Asset Backed Securities	Aa	825
	Corporate Asset Backed Securities	A	99
	Corporate Asset Backed Securities	Baa	97
	Corporate Asset Backed Securities	NR	2,153
			<u>4,347</u>
Moody's:	Non-Government Backed C.M.O.s	Aaa	353
	Non-Government Backed C.M.O.s	Aa	160
	Non-Government Backed C.M.O.s	Baa	89
	Non-Government Backed C.M.O.s	NR	1,070
	Non-Government Backed C.M.O.s	WR	98
			<u>1,770</u>
Moody's:	Mortgage Backed Securities - government agencies	Aaa	29
	Mortgage Backed Securities - government agencies	A	48
	Mortgage Backed Securities - government agencies	NR	25,138
			<u>25,215</u>
Moody's:	Non U.S. government bonds denominated in foreign currency	Aaa	141
	Non U.S. government bonds denominated in foreign currency	A	257
	Non U.S. government bonds denominated in foreign currency	NR	157
			<u>555</u>

* NR - Not rated; WR - withdrawn

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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, 2023.

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, 2023, there were no investments subject to concentration of credit risk.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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, 2023, 15.6% 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, 2023
Fair Value in U.S. Dollars

Foreign Currency Denomination	Cash and cash equivalents	Fixed income	Pending Trades Fixed Income Investments	Totals
Euro	\$ 1	\$ -	\$ -	\$ 1
Mexican peso	-	257	(255)	2
New Israeli shekel	-	157	(155)	2
New Zealand dollar	-	141	(144)	(3)
Total	\$ 1	\$ 555	(554)	\$ 2

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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 39-40); and leveling is not required for investments held at amortized cost. The Program has the following as of June 30, 2023:

Investments Measured at Fair Value:

	June 30, <u>2023</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Leveling Not Required
Investments by fair value level				
Debt securities				
U.S. Treasury notes	\$ 139,246	\$ -	\$ 139,246	\$ -
U.S. Treasury bonds	13,053	-	13,053	-
Municipal/Provincial bonds	150	-	150	-
Corporate debt securities	5,229	-	5,229	-
Corporate asset-backed securities	4,347	-	4,347	-
Foreign Government Bonds denominated in U.S. dollars	560	-	560	-
Foreign debt securities (Non U.S. Government Bonds denominated in foreign currency)	555	-	555	-
Government agency short term bills and notes	300	-	300	-
Commercial mortgage backed	1,533	-	1,533	-
Government mortgage backed	25,215	-	25,215	-
Multi-sector funds	28,544	-	28,544	-
Common collective trust	47,032	-	47,032	-
Non government backed C.M.O.	1,770	-	1,770	-
Corporate equity securities	90,721	90,721	-	-
Foreign equity securities	44,569	44,569	-	-
Money market mutual funds	6,968	-	-	6,968
Cash and pending trades	(2,564)	-	-	(2,564)
Cash and pending trades in foreign currency	7	-	-	7
Equity in Public Treasurer's Investment Pool (Illinois Funds)	33	-	-	33
Total investments by fair value level	<u>\$ 407,268</u>	<u>\$ 135,290</u>	<u>\$ 267,534</u>	<u>\$ 4,444</u>

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

	June 30, <u>2023</u>
Investments measured at the net asset value (NAV)	
Real estate investment trust	\$ 19,459
Real estate	46,504
Private equity	1,276
Infrastructure	16,757
Foreign equity	42,536
Absolute return	1,149
High yield fund	<u>23,360</u>
 Total investment measured at the NAV	 <u>\$ 151,041</u>
 Total investments measured at fair value or amortized cost	 <u>\$ 558,309</u>

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 Commitment	Redemption Frequency If Currently Eligible	Redemption Notice Period
Real estate investment trust	\$ 19,459	\$ -	Quarterly	30 days notice
Real estate	46,504	-	n/a	n/a
Private equity	1,276	314	n/a	n/a
Infrastructure	16,757	5,452	n/a	n/a
Foreign equity	42,536	-	Monthly	15 days notice
Absolute return	1,149	-	Annual	65 and 180 days notice
High yield fund	23,360	-	Quarterly	60 days notice
 Total investments measured at the NAV	 <u>\$ 151,041</u>	 <u>\$ 5,766</u>		

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)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Real estate: This type includes one real estate fund that invests primarily in U.S. commercial and residential real estate. Lyrical Antheus Realty Partners III, LP recognizes the partners' capital 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 fund will be liquidated over the next four years with 15% within Fiscal Year 2024.

Private equity: This type includes one private equity funds which 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 fund will be liquidated with 40% within Fiscal Year 2024, with the remainder over the following year.

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 three years with 100% to 25% (varies by investment manager) within Fiscal Year 2024.

Absolute return: This type includes one absolute return funds of funds. This fund targets consistent, positive absolute returns with minimal beta to major equity and fixed income 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. The fund will withhold a percentage pending the completion of the annual audit. The fund is in the process of liquidating. Approximately \$3.1 million was liquidated in Fiscal Year 2023 with the remainder expected in Fiscal Year 2024.

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.

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)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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 2023, 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, 2023, were \$6,110 and \$12,355, respectively.

NOTE 4 - STUDENT LOANS RECEIVABLE

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

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 4 - STUDENT LOANS RECEIVABLE (Continued)

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 \$637 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, 2023.

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 \$113,387 at June 30, 2023. Of this amount, \$80,026 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 \$82,336 as of June 30, 2023. 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: 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 \$110,455 at June 30, 2023 is subject to the adequacy of reserve funds of IDAPP's Guarantors under FFELP to pay defaulted loan claims. However, based on past loan default experience, management believes that material losses will not be incurred.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 5 - FEDERAL SPECIAL ALLOWANCE AND INTEREST SUBSIDY

The Federal government pays IDAPP (interest subsidy) or IDAPP owes the federal government (excess interest) an interest amount on certain student loans during the time that the student is enrolled in an eligible educational institution or qualifies for deferment status. The federal interest receivable at June 30, 2023, was \$818.

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	\$	2,365
Special Allowance Payments (Interest Subsidy)		218
Excess Interest		<u>(333)</u>
 Net Expense Incurred to DOE	 \$	 <u>2,250</u>

NOTE 6 – INTERFUND BALANCES AND ACTIVITY

Balances Due To/From Other Funds: The balances at June 30, 2023, represent amounts due from other ISAC and State funds and component units as follows:

Fund	Due from Primary Government Funds		Due from Component	Description/Purpose
	ISAC	Other State	Units	
Nonmajor Enterprise -				
Student Loan Operating	1,909	-	-	Due from IDAPP Fund for shared Services.
	48	-	-	Due from Illinois Prepaid Tuition Fund for shared services.
	-	11,324	-	Due from ECACE for grant and administrative expenses.
	-	2	-	Due from Department of Veterans' Administration for rent and expenses.
	-	106	-	Due from Central Management Services (on behalf of DCFS) for rent and expenses.
	<u>1,957</u>	<u>11,432</u>	<u>-</u>	
	<u>\$ 1,957</u>	<u>\$ 11,432</u>	<u>\$ -</u>	

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 6 - INTERFUND BALANCES AND ACTIVITY (Continued)

The balances at June 30, 2023, represent amounts due to other ISAC and State funds and component units as follows:

Fund	Due to Primary Government Funds		Due to Component	Description/Purpose
	ISAC	Other State	Units	
General	\$ -	\$ -	\$ 35,516	Due to State universities for scholarships and grants.
	-	-	35,516	
Education Assistance	-	-	33	Due to State universities for scholarships and grants.
Illinois Designated Account				
Purchase Program	1,909	-	-	Due to Student Loan Operating Fund for shared services.
	1,909	-	-	
Nonmajor Governmental -				
Gear Up Grant	-	1	-	Due to Central Management Services for EDP, communications, and garage fund.
	-	1	-	
Nonmajor Enterprise -				
Student Loan Operating	-	157	-	Due to Central Management Services for EDP, communications, and garage fund.
	-	49	-	Due to Auditor General for audit expense.
	-	1	-	Due to Attorney General for Court of Claims payments.
	-	9	-	Due to Governor's Office of Management and Budget for charges related to the Grant Accountability and Transparency Act (GATA).
	-	-	2,794	Due to State universities for scholarships and grants.
	-	216	2,794	
Illinois Prepaid Tuition				
Program	48	-	-	Due to Student Loan Operating Fund for shared services.
	-	-	11	Due to State universities for payment of tuition contracts.
	48	-	11	
	\$ 1,957	\$ 217	\$ 38,354	

Transfers To/From Other Funds: There were no interfund transfers for the year ended June 30, 2023.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance			Balance
	July 1, 2022	Additions	Deletions	June 30, 2023
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	(13,903)	(504)	-	(14,407)
Equipment	(24)	-	-	(24)
Total accumulated depreciation	(13,927)	(504)	-	(14,431)
Total capital assets being depreciated, net	5,326	(504)	-	4,822
Governmental activities capital assets, net	\$ 8,026	\$ (504)	\$ -	\$ 7,522

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 7 - CAPITAL ASSETS (Continued)

	Balance				Balance
	July 1, 2022	Additions	Deletions		June 30, 2023
Business-type activities:					
<i>Illinois Designated Account Purchase Program Fund:</i>					
Capital assets being depreciated:					
Equipment	\$ 205	\$ -	\$ (120)	\$	85
Less accumulated depreciation:					
Equipment	(205)	-	120	(85)	
Total capital assets being depreciated, net	-	-	-	-	-
<i>Nonmajor Enterprise Funds:</i>					
Capital assets being depreciated/amortized:					
Leases - buildings	831	-	-	831	
Equipment and automobiles	1,148	124	(293)	979	
Leases - equipment	119	-	-	119	
Internally generated software	3,357	-	-	3,357	
Subscription-based IT arrangements	-	70	-	70	
Less accumulated depreciation/amortization:					
Leases - buildings	(90)	(90)	-	(180)	
Equipment and automobiles	(820)	(114)	293	(641)	
Leases - equipment	(45)	(44)	-	(89)	
Internally generated software	(3,357)	-	-	(3,357)	
Subscription-based IT arrangements	-	(8)	-	(8)	
Total capital assets being depreciated/amortized, net	1,143	(62)	-	1,081	
Business-type activities capital assets, net	\$ 1,143	\$ (62)	\$ -	\$	1,081

Depreciation expense for governmental activities on the Government-wide Statement of Activities for the year ended June 30, 2023, amounted to \$504. Of that amount, 100% was charged to the Scholarships, awards, and grants function.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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.

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 \$123,979. 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, 2023, variable interest rates were 6.155% for the LIBOR FRN Class A-3. Subsequent to the fiscal year ended June 30, 2023, effective July 1, 2023, the variable interest rate for the debt changed to the 3-Month Secured Overnight Financing Rate (SOFR), plus a tenor spread, and is reset every quarter.

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 \$27,993 and \$2,917, respectively. Total related student loan principal and interest received were \$26,129 and \$3,275, 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 2023 is \$4,043. Amortization is included as a reduction of interest expense on the Statement of Revenues, Expenses, and Changes in Fund Net Position.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE (continued)

Changes in Long-Term Obligations: Changes in long-term obligations for the year ended June 30, 2023, were as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Amounts Due Within One Year
Governmental activities:					
Other long-term obligations:					
Compensated absences	\$ 1,822	\$ 1,072	\$ (1,017)	\$ 1,877	\$ 188
	<u>\$ 1,822</u>	<u>\$ 1,072</u>	<u>\$ (1,017)</u>	<u>\$ 1,877</u>	<u>\$ 188</u>
Business-type activities:					
<i>Illinois Designated Account Purchase Program :</i>					
Revenue bonds/notes payable:					
Series 2010, Class A-3	\$ 81,972	\$ -	\$ (27,993)	\$ 53,979	\$ -
Unamortized discounts	(4,801)	-	208	(4,593)	-
Other long-term obligations:					
Compensated absences	74	16	(57)	33	3
Total Illinois Designated Account Purchase Program	<u>77,245</u>	<u>16</u>	<u>(27,842)</u>	<u>49,419</u>	<u>3</u>
<i>Illinois Prepaid Tuition Program :</i>					
Compensated absences	-	-	-	-	-
Tuition obligation	660,244	8,166	(115,187)	553,223	105,578
Total Illinois Prepaid Tuition Program	<u>660,244</u>	<u>8,166</u>	<u>(115,187)</u>	<u>553,223</u>	<u>105,578</u>
Nonmajor Enterprise Fund:					
Compensated Absences	415	222	(263)	374	37
Total Nonmajor Enterprise Fund	<u>415</u>	<u>222</u>	<u>(263)</u>	<u>374</u>	<u>37</u>
Total business-type activities	<u>\$ 737,904</u>	<u>\$ 8,404</u>	<u>\$ (143,292)</u>	<u>\$ 603,016</u>	<u>\$ 105,618</u>

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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, 2023. 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
2024		\$ 3,322	\$ 3,322
2025		3,322	3,322
2026		3,322	3,322
2027		3,322	3,322
2028		3,322	3,322
2029-2033		16,610	16,610
2034-2038		16,610	16,610
2039-2043		16,610	16,610
2044-2046	53,979	3,560	57,539
	53,979	<u>\$ 70,000</u>	<u>\$ 123,979</u>
Plus (minus):			
Unamortized discounts	(4,593)		
Net long-term principal outstanding	<u>\$ 49,386</u>		

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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, 2023. See actuarial assumptions and additional information in Note 14.

Tuition obligation activity for the year ended June 30, 2023, is as follows:

Balance as of July 1, 2022	\$ 660,244
Add:	
Contributions received in FY2023	2,940
Change in contracts receivable, at present value*	(2,426)
Adjust tuition obligation based on actuarial valuation	7,652
Less:	
Return of contributions	(24,704)
Tuition payments	(90,483)
	\$ 553,223
Balance as of June 30, 2023**	\$ 553,223
Reported as:	
Current	\$ 105,578
Noncurrent	447,645
	\$ 553,223

* Discount rate used in determining fair value was 5.00%.

** 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.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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, 2023, was 5.17043%.

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 2023 there was \$10,859 in principal and \$2,761 in interest collected all of which was transferred to the trust. During the same period the trust paid \$2,065 for interest expense and other professional fees and \$668 for servicing fees.

Changes in the revolving credit line are as follows:

	Balance,		Balance,		Amounts
	July 1, 2022	Borrowings	Repayments	June 30, 2023	Due Within
					One Year
Citibank	\$ 50,987	\$ -	\$ (11,386)	\$ 39,601	\$ 39,601

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, 2023.

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.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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.

The provisions below apply to both Tier 1 and 2 members, except where noted. The SERS issues a separate ACFR 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 dollar) for each year of covered service and \$25 (whole dollar) 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
<p>A member must have a minimum of eight years of service credit and may retire at:</p> <ul style="list-style-type: none"> • 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). <p>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.</p>	<p>A member must have a minimum of 10 years of credited service and may retire at:</p> <ul style="list-style-type: none"> • 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). <p>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.</p>

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Regular Formula Tier 1	Regular Formula Tier 2
<p>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.</p> <p>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.</p>	<p>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 2022 rate is \$120.</p> <p>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.</p>

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 2023, this amount was \$123.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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 2023, 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 2023, the employer contribution rate was 53.258%. The Commission's contribution amount for fiscal year 2023 was \$1,063. In addition, the Commission recorded \$7,903 of revenue and expenditures in the General Revenue account of the General Fund to account for payments to SERS for Commission's 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, 2023, the Commission reported a liability of \$110,993 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, 2022 (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, 2022. As of the current year measurement date of June 30, 2022, the Commission's proportion was 0.343%, which was a decrease of 0.02% from its proportion measured as of the prior year measurement date of June 30, 2021.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended June 30, 2023, the Commission recognized pension expense of \$10,128. At June 30, 2023, the Commission reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2022, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,250	\$ 12
Changes of assumptions	2,881	9,506
Net difference between projected and actual investment earnings on pension plan investments	2,132	-
Changes in proportion	33,611	26,409
Commission contributions subsequent to the measurement date	8,966	-
Total	\$ 48,840	\$ 35,927

\$8,966 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, 2024. 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
2024	\$ 2,730
2025	2,796
2026	(1,552)
2027	(27)
Thereafter	-
Total	\$ 3,947

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Methods and Assumptions:

	<u>SERS</u>
Valuation date	6/30/2022
Measurement date	6/30/2022
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	6.75%
Projected salary increases*	2.50% - 7.41%
Inflation rate	2.25%
Postretirement benefit increases	
Tier 1	3%, compounded
Tier 2	Lesser of 3% or 1/2 of CPI [^] , on original benefit
Retirement age experience study ^{^^}	July 2018 - June 2021
Mortality ^{^^^}	
	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2021 generational mortality improvement factors were updated to projection scale MP-2021
SERS	
Note: the above actuarial assumptions were used to calculate the total pension liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the total pension liability as of the prior year measurement date except for the following:	
Projected salary increases*	2.75% - 7.17%
Retirement age experience study ^{^^}	July 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
* Includes inflation rate listed.	
[^] Consumer Price Index	
^{^^} The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.	
^{^^^} Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.	

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

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, 2022, 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%	4.60%
Developed Foreign Equity	13.0%	4.90%
Emerging Market Equity	8.0%	5.90%
Private Equity	9.0%	6.90%
Intermediate Investment Grade Bonds	15.0%	-0.50%
Long-term Government Bonds	5.0%	3.00%
TIPS	3.0%	-0.50%
High Yield and Bank Loans	2.0%	1.90%
Opportunistic Debt	9.0%	4.40%
Emerging Market Debt	0.0%	0.00%
Real Estate	10.0%	3.30%
Infrastructure	3.0%	6.80%
Total	100.0%	

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate: A discount rate of 6.58% was used to measure the total pension liability as of the measurement date of June 30, 2022, as compared to a discount rate of 6.20% used to measure the total pension liability as of the prior year measurement date. The June 30, 2022, 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 3.69%, 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 2076. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2076, 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	Discount Rate	1% Increase
Commission's proportionate share of the net pension liability	\$135,044	\$110,993	\$91,103

Payables to the Pension Plan: At June 30, 2023, the Commission reported no payable to SERS for the outstanding contributions to the pension plan required for the year ended June 30, 2023.

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 12). 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 Commission 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)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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 2023, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$13, (\$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 2023 was \$155. In addition, the Commission recorded \$1,312 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, 2023, was measured as of June 30, 2022, with an actuarial valuation as of June 30, 2021. At June 30, 2023, the Commission recorded a liability of \$35,082 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, 2022. As of the current year measurement date of June 30, 2022, the Commission's proportion was 0.205%, which was a decrease of 0.019% from its proportion measured as of the prior year measurement date of June 30, 2021.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

The Commission recognized OPEB expense for the year ended June 30, 2023, of (\$7,444). At June 30, 2023, the Commission reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2022, from the following sources (amounts expressed in thousands):

<u>Deferred outflows of resources</u>	
Differences between expected and actual experience	\$ 359
Changes of assumptions	866
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,410
Commission contributions subsequent to the measurement date	1,467
Total deferred outflows of resources	\$ 26,102

<u>Deferred inflows of resources</u>	
Differences between expected and actual experience	\$ 9,593
Changes of assumptions	34,362
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,210
Total deferred inflows of resources	\$ 63,165

The amounts reported as deferred outflows of resources related to OPEB resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2024. 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
2024	\$ (8,817)
2025	(9,817)
2026	(8,925)
2027	(8,606)
2028	(2,365)
Total	\$(38,530)

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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, 2021, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2021.

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Actuarial assumptions:	
Inflation Rate	2.25%
Projected Salary Increases*	2.50% - 12.75%
Healthcare Cost Trend Rate:	
Medical and RX	
Pre-Medicare - QCHP**	Trend rates start at 8.00% in 2024, decreasing by 0.25% per year to an ultimate trend rate of 4.25% in year 2039.
Post-Medicare - MAPD***	Trend rates are 0.00% in years 2024 to 2028, 19.42% from 2029 to 2033, then 5.77% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2039.
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 2022 and 2023 are based on actual premiums. Premiums after 2023 were projected based on the same healthcare cost trend rates applied to per capita claim costs.
Note: the above actuarial assumptions were used to calculate the OPEB liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the OPEB liability as of the prior year measurement date except for the following:	
Healthcare Cost Trend Rate:	
Medical and Rx (Pre-Medicare & Post-Medicare)	1.80% grading up 6.20% in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in year 2038. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Medical and Rx (Post-Medicare)	-7.56% grading up 15.56% in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in year 2038.
Dental and Vision	3.75% grading up 0.25% in the first year to 4.00% through 2038.
* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.	
** Quality Care Health Plan	
*** Medicare Advantage Prescription Drug	

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2021, valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study[^]	Mortality^{^^}
GARS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 99% for males and females, and the MP-2018 two-dimensional generational mortality improvement scales
JRS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 102% for males and 98% for females, and the MP-2018 two-dimensional generational mortality improvement scales
SERS	July 2018 - June 2021	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
TRS	July 2017 - June 2020	Pub-2010 adjusted for TRS experience for future mortality improvements on a fully generational basis using projection table MP-2020
SURS	July 2017 - June 2020	Rates based on Pub-2010 Healthy Retiree Mortality tables and the most recent MP-2020 projection scale. Teachers table was used for Academic members and General
[^] The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.		
^{^^} Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.		

Demographic assumptions used in OPEB valuation are identical to those used in the June 30, 2021, valuations for Pensions. Thus, for all five plans, the 2021 valuation information for pensions is presented in the FY 2022 ACFR in FN 16. For TRS and SURS, the total pension liability presented in the June 30, 2021, actuarial valuation is based on census data as of June 30, 2020, rolled-forward to the measurement date of June 30, 2021.

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 a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 1.92% at June 30, 2021, and 3.69% at June 30, 2022, was used to measure the total OPEB liability.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

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 3.69%, 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 (4.69%) or lower (2.69%) than the current rate (amounts expressed in thousands):

	1% Decrease (2.69%)	Current Single Discount Rate Assumption (3.69%)	1% Increase (4.69%)
Commission's proportionate share of total OPEB liability	\$ 38,706	\$ 35,082	\$ 31,160

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 8.00 % in 2024 decreasing to an ultimate trend rate of 4.25% in 2039.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
Commission's proportionate share of total OPEB liability	\$ 30,374	\$ 35,082	\$ 39,854

Current healthcare trend rates - Pre-Medicare per capita costs: 6.08% in 2023, 8.00% in 2024, decreasing by 0.25% per year to an ultimate rate 4.25% in 2039. Post-Medicare per capita costs: 2.78% in 2023, 0.00% from 2024 to 2028, 19.42% from 2029 to 2033, 5.77% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2039.

One percentage point decrease in current healthcare trend rates – Pre-Medicare per capita costs: 5.08% in 2023, 7.00% in 2024, decreasing by 0.25% per year to an ultimate rate of 3.25% in 2039. Post-Medicare per capita costs: 1.78% in 2023, 0.00% from 2024 to 2028, 18.42% from 2029 to 2033, 4.77% in 2034 decreasing ratably to an ultimate trend rate of 3.25% in 2039.

One percentage point increase in current healthcare trend rates – Pre-Medicare per capita costs: 7.08% in 2023, 9.00% in 2024, decreasing by 0.25% per year to an ultimate rate of 5.25% in 2039. Post-Medicare per capita costs: 3.78% in 2023, 1.00% from 2024 to 2028, 20.42% from 2029 to 2033, 6.77% in 2034 decreasing ratably to an ultimate trend rate of 5.25% in 2039.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 13 – LEASES and Subscription-Based Information Technology Arrangements (SBITAs)

Leases

As of July 1, 2021, the Commission implemented the requirements of GASB Statement No. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

The Commission has entered into various leases for office facilities, office equipment, and other right-to-use assets with remaining lease terms ranging from three to five years. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered noncancelable leases for financial reporting purposes. The renewal and termination options are not included in the right-to-use asset or lease liability balance until they are reasonably certain of exercise.

Certain of the Commission's leases contain both fixed and variable lease payments. These exist primarily within the leases for rental facilities related to rent escalations based on usage rate which are determined annually. The remaining equipment and other leases do not contain variable lease payments. The variable payments are not included in the calculation of the lease liability due to rent escalations based on usage rate and common area. The total expenditures for variable payments not previously included in the measurement of the lease liability during the fiscal year ended June 30, 2023, were \$10.

The total expenditures for maintenance costs, per click usage and overage not previously included in the measurement of the lease liability during the fiscal year ended June 30, 2023, were \$26.

Additionally, the Commission has no residual value guarantees or termination penalties for leases held at Commission's office buildings and rental facilities.

The Commission recognized \$0 of expense during fiscal year ended June 30, 2023, associated with the residual value guarantees or termination penalties.

At June 30, 2023, right-to-use assets under leases are as follows:

Buildings	\$ 831
Equipment	<u>119</u>
	950
Less: Accumulated amortization	<u>(225)</u>
	<u>\$ 725</u>

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 13 – LEASES and SBITAs (continued)

Future minimum commitments for non-cancelable leases as of June 30, 2023, are as follows:

Year Ending June 30	Principal	Interest
2024	\$ 113	\$ 19
2025	86	16
2026	90	14
2027	93	11
2028	95	8
Thereafter	226	8
Total	\$ 703	\$ 76

Subscription-Based Information Technology Arrangements (SBITAs)

The Commission has entered into various SBITAs with remaining contract terms ranging from one year to six years. Although subscription terms vary, certain agreements are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, agreements requiring appropriation by the General Assembly are considered noncancelable agreements for financial reporting purposes. The renewal and termination options are not included in the subscription asset or subscription liability balance until they are reasonably certain of exercise.

Certain of the Commission's agreements contain both fixed and variable subscription payments. The variable payments are not included in the calculation of the subscription liability. The total expenditures for variable payments not previously included in the measurement of the subscription liability during the fiscal year ended June 30, 2023, were \$29.

At June 30, 2023, subscription assets under SBITAs are as follows:

(amounts expressed in thousands)	
Subscription Assets	\$ 70
Less: Accumulated amortization	(8)
	\$ 62

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 13 – LEASES and SBITAs (continued)

Future minimum commitments for non-cancelable SBITAs as of June 30, 2023, are as follows:

(amounts expressed in thousands)

Year Ending June 30	Principal	Interest
2024	\$ -	\$ -
2025	-	-
2026	37	5
Total minimum SBITA payments	\$ 37	\$ 5

NOTE 14 - FUND BALANCES AND NET POSITION

Fund Net Position: As of June 30, 2023, the Illinois Prepaid Tuition Program has a surplus in net position of \$10,485.

The table below details a reconciliation of the fund balance in the financial statements to the surplus in the Actuarial Soundness Report as of June 30, 2023.

Surplus per actuarial soundness report	\$	4,787
Present value of accrued future administrative expense		6,705
Other accrued liabilities		(1,007)
Fund balance per Statement of Net Position	\$	10,485

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, 2023, to evaluate the financial viability of the Program as of June 30, 2023. The complete Actuarial Soundness Report as of June 30, 2023, 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 2023/2024 enrollment period. 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 and was fully funded as of June 30, 2023. As always, actuarial reports necessarily represent a point in time and will change in the future, up or down, based on a variety of factors, including market volatility and tuition and fee growth.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 14 - FUND BALANCES AND NET POSITION (Continued)

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.

APV of future benefits obligation*	\$	553,223
Funded ratio		100.90 %
Actuarial assumptions:		
Actuarial valuation date		June 30, 2023
Assumed net investment return		5.00% in FY24 then grading down in annual increments of 0.286 to an ultimate investment rate of 3.00% for fiscal years on and after 2031
Rates of cancellations		Varies according to years from projected college entrance year
Tuition increases all contract types:		
All future years		4.25 %

* For all existing contracts as of June 30, 2023

The actuarial present value of the future benefits obligation decreased by approximately \$107 million compared to the balance reported on June 30, 2022. Contributing to the overall decrease was tuition paid.

Restrictions and Commitments: As of June 30, 2023, the Commission reported the following net position restrictions and fund balance commitments:

The Illinois Designated Account Purchase Program reported \$49,310 of net position restricted for debt service. The ISAC Contracts and Grants Fund reported \$91 in fund balance restricted for payment of administrative costs. The ISAC Accounts Receivable Fund and the University Grant Fund reported \$89 and \$100, respectively, in fund balance committed for scholarships, awards and grants.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 15 – TRANSITION OF FFELP

The Federal Family Education Loan Program (FFELP) is a federally funded loan program through the United States Department of Education (ED). ISAC has been a part of this program as a guarantor since 1965. As a result of the Student Aid and Fiscal Responsibility Act (SAFRA), which was part of the Health Care and Education Reconciliation Act, FFELP was terminated, and no new loan disbursements have been made under the FFELP program since July 1, 2010. Since then, ISAC has serviced the balance of its FFELP guaranty loan portfolio and is overseeing the wind-down of FFELP.

As a guarantor under FFELP ISAC was required to establish two funds called the Federal Student Loan Fund (FSLF) and the Student Loan Operating Fund (SLOF) to operate the program. ISAC established these funds as of October 1, 1998. The FSLF accounts for the federal government FFELP activity and is managed by ISAC. Expenditures from the fund are authorized by FFELP rules and regulations. The SLOF accounts for ISAC's earned resources from FFELP and the funds belong to the agency/State. Both funds are classified as proprietary funds.

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed on March 27, 2020, provided flexibility and relief for many student loan borrowers during the COVID-19 pandemic. The CARES Act provisions, however, did not apply to the federal loans under the FFELP which are held and managed by ISAC or other FFELP lenders or guarantors. In May 2021, the U.S. Department of Education (ED) Issued a Dear Colleague Letter mandating specific borrower benefits to borrowers administered and managed by FFELP guarantors. ISAC had a legacy technology system that simply could not make the necessary and significant adjustments to expeditiously enable borrowers to receive the relief to which they are entitled. To help ensure that borrowers get this relief as soon as possible, ISAC notified ED that the agency will cease operations as a guaranty agency in FFELP. Working in conjunction with ED, ISAC began the de-conversion process in September 2021 to provide a seamless transition of the loan portfolio to the successor guarantor.

As of May 1, 2022, FFELP loan guarantor loan portfolio including the defaulted loan portfolio has been de-converted to the successor guarantor agency assigned by ED. In Fiscal Year 2023 after submission and acceptance of the FFELP Annual Report for Federal Fiscal Year 2022 ISAC's role as a FFELP guarantor was completed. Subsequent to FY 2023, the FSLF was closed at the Illinois Office of Comptroller and the funds were transferred back to the US Treasury in FY 2024.

ISAC receives State operational funding from the State General Revenue Fund to replace revenues earned and funded by FFELP in SLOF to support agency operations.

NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Upon the Commission's adoption of GASB Statement No. 95, the effective date of the Statement was delayed for the Commission until the fiscal year ended June 30, 2023. Management has evaluated the applicability of this statement and has determined it has no impact on its financial statements for the year ending June 30, 2023.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2023

NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS (Continued)

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements and to provide guidance for accounting and financial reporting for availability payment arrangements. This Statement is effective for the Commission's fiscal year ended June 30, 2023. Management has evaluated the applicability of this Statement and has determined it has no impact on its financial statements for the year ending June 30, 2023.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This Statement is effective for the Commission's fiscal year ended June 30, 2023. Management has determined the impact of this Statement on its financial statements for the year ending June 30, 2023, and this is reflected in the financial statements. See note 13.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, public-private and public-public partnerships, and subscription-based information technology arrangements are effective for the Commission's fiscal year ended June 30, 2023. Management has evaluated the applicability of this Statement and has determined it has no material impact on its financial statements for the year ending June 30, 2023.

The requirements related to financial guarantees and the classification and reporting of derivative instruments are effective for the Commission's fiscal year ended June 30, 2024. Management has not determined what impact, if any, this Statement will have on its financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for the Commission's fiscal year ended June 30, 2024. Management has not determined what impact, if any, this Statement will have on its financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for the Commission's fiscal year ended June 30, 2025. Management has not determined what impact, if any, this Statement will have on its financial statements.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Management has not determined what impact, if any, this Statement will have on its financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR GOVERNMENTAL FUND
GENERAL FUND - BUDGETARY BASIS
Year Ended June 30, 2023
(Dollars in thousands)

	Budgeted Amounts		Actual Amount	Actual Amounts GAAP Basis	Variance From Final Budget
	Original	Final			
Revenues (inflows)					
Appropriations from State resources and other revenues					
General Revenue Account	\$ 359,216	\$ 359,216	\$356,779	\$ 356,779	\$ (2,437)
Education Assistance Account	313,686	313,686	312,732	312,732	(954)
State Cure	7,329	7,329	2,117	2,117	(5,212)
Combined totals	<u>680,231</u>	<u>680,231</u>	<u>671,628</u>	<u>671,628</u>	<u>(8,603)</u>
Expenditures (outflows)					
Education					
Program, administration, and capital outlay					
General Revenue Account	359,216	359,216	355,686	355,686	3,530
Education Assistance Account	313,686	313,686	312,732	312,732	954
State Cure	7,329	7,329	2,117	2,117	5,212
Combined totals	<u>680,231</u>	<u>680,231</u>	<u>670,535</u>	<u>670,535</u>	<u>9,696</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,093</u>	<u>1,093</u>	<u>1,093</u>
Other sources (uses) of financial resources					
Transfers in	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,093</u>	<u>1,093</u>	<u>\$ 1,093</u>
Fund balance, July 1, 2022			<u>1,200</u>	<u>1,200</u>	
Fund balance, June 30, 2023			<u>\$ 2,293</u>	<u>\$ 2,293</u>	

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2023
(Dollars in thousands)

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

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

Actual revenue amounts on the budgetary basis	<u>\$ 356,779</u>
Total revenues on the GAAP basis	<u>\$ 356,779</u>

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING SCHEDULES OF ACCOUNTS
GENERAL FUND
June 30, 2023
(Dollars in thousands)

	General Revenue <u>Account</u>	Educational Assistance <u>Account</u>	State <u>Cure</u>	<u>Total</u>
Assets				
Unexpended appropriations	\$ 36,585	\$ 594	\$ -	\$ 37,179
Other receivables	-	-	704	704
Notes receivable, net of allowance of \$36,275	2,293	-	-	2,293
Total assets	<u>\$ 38,878</u>	<u>\$ 594</u>	<u>\$ 704</u>	<u>\$ 40,176</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 1,069	\$ 561	\$ 704	\$ 2,334
Due to State of Illinois component units	35,516	33	-	35,549
Total liabilities	<u>36,585</u>	<u>594</u>	<u>704</u>	<u>37,883</u>
Fund Balances				
Nonspendable - notes receivable	2,293	-	-	2,293
Total fund balances	<u>2,293</u>	<u>-</u>	<u>-</u>	<u>2,293</u>
Total liabilities and fund balances	<u>\$ 38,878</u>	<u>\$ 594</u>	<u>\$ 704</u>	<u>\$ 40,176</u>

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
Year Ended June 30, 2023
(Dollars in thousands)

	General Revenue <u>Account</u>	Educational Assistance <u>Account</u>	State <u>Cure</u>	<u>Total</u>
Revenues				
Other	\$ 1	\$ -	\$ -	\$ 1
Expenditures				
Education				
Scholarships, awards and grants	\$ 355,686	\$ 312,732	\$ 2,117	\$ 670,535
Deficiency of revenues over expenditures	<u>(355,685)</u>	<u>(312,732)</u>	<u>(2,117)</u>	<u>(670,534)</u>
Other sources of financial resources				
Appropriations from State resources	359,216	313,686	7,329	680,231
Lapsed appropriations	(7,517)	(954)	(5,212)	(13,683)
Receipts remitted to (from) State Treasury	(4,710)	-	-	(4,710)
SERS on behalf contribution	9,789	-	-	9,789
Net other sources (uses) of financial resources	<u>356,778</u>	<u>312,732</u>	<u>2,117</u>	<u>671,627</u>
Net change in fund balance	1,093	-	-	1,093
Fund balance, July 1, 2022	<u>1,200</u>	<u>-</u>	<u>-</u>	<u>1,200</u>
Fund balance, June 30, 2023	<u>\$ 2,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,293</u>

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023
(Dollars in thousands)

	Special Revenue Funds				
	ISAC Accounts <u>Receivable</u>	John R. Justice <u>Grant</u>	Gear Up <u>Grant</u>	Golden Apple <u>Scholars</u>	University <u>Grant</u>
Assets					
Cash and cash equivalents	\$ 89	\$ -	\$ 5	\$ 16	\$ 103
Unexpended appropriations	-	-	-	-	-
Receivables					
Other	-	-	69	-	-
Total assets	<u>\$ 89</u>	<u>\$ -</u>	<u>\$ 74</u>	<u>\$ 16</u>	<u>\$ 103</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 73	\$ 16	\$ -
Due to other State funds	-	-	1	-	-
Unearned revenue	-	-	-	2	3
Total liabilities	<u>-</u>	<u>-</u>	<u>74</u>	<u>18</u>	<u>3</u>
Fund balances					
Restricted	-	-	-	-	-
Committed	89	-	-	-	100
Unassigned	-	-	-	(2)	-
Total fund balances	<u>89</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>100</u>
Total liabilities and fund balances	<u>\$ 89</u>	<u>\$ -</u>	<u>\$ 74</u>	<u>\$ 16</u>	<u>\$ 103</u>

Special Revenue Funds					Debt Service	Total
Contract and Grant	Nursing			Total	Fund	Nonmajor Governmental Funds
	Dedicated and Professional	Energy Transition	Optometric Education		ISAC COP	
\$ 93	\$ -	\$ -	\$ -	\$ 306	\$ -	\$ 306
-	177	-	-	177	-	177
704	-	-	-	773	-	773
<u>\$ 797</u>	<u>\$ 177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,256</u>	<u>\$ -</u>	<u>\$ 1,256</u>
\$ 706	\$ 177	\$ -	\$ -	\$ 972	\$ -	\$ 972
-	-	-	-	1	-	1
-	-	-	-	5	-	5
706	177	-	-	978	-	978
91	-	-	-	91	-	91
-	-	-	-	189	-	189
-	-	-	-	(2)	-	(2)
91	-	-	-	278	-	278
<u>\$ 797</u>	<u>\$ 177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,256</u>	<u>\$ -</u>	<u>\$ 1,256</u>

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2023
(Dollars in thousands)

	Special Revenue Funds				
	ISAC Accounts <u>Receivable</u>	John R. Justice <u>Grant</u>	Gear Up <u>Grant</u>	Golden Apple <u>Scholars</u>	University <u>Grant</u>
Revenues					
Federal government	\$ -	\$ 133	\$ 2,985	\$ -	\$ -
Licenses, fees, and other	109	-	-	44	93
Total revenues	109	133	2,985	44	93
Expenditures					
Education					
Scholarships, awards and grants	65	133	2,985	44	94
Total expenditures	65	133	2,985	44	94
Excess (deficiency) of revenues over expenditures	44	-	-	-	(1)
Other sources of financial resources					
Appropriations from State resources	-	-	-	-	-
Net other sources of financial resources	-	-	-	-	-
Net change in fund balance	44	-	-	-	(1)
Fund balance, July 1, 2022	45	-	-	(2)	101
Fund balance, June 30, 2023	\$ 89	\$ -	\$ -	\$ (2)	\$ 100

Special Revenue Funds					Debt Service	Total
Contract	Nursing	Energy	Optometric		Fund	Nonmajor
<u>and Grant</u>	<u>Professional</u>	<u>Transition</u>	<u>Education</u>	<u>Total</u>	<u>ISAC</u>	<u>Governmental</u>
					<u>COP</u>	<u>Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,118	\$ -	\$ 3,118
1,873	-	-	-	2,119	-	2,119
1,873	-	-	-	5,237	-	5,237
1,782	2,531	-	50	7,684	-	7,684
1,782	2,531	-	50	7,684	-	7,684
91	(2,531)	-	(50)	(2,447)	-	(2,447)
-	2,531	-	50	2,581	-	2,581
-	2,531	-	50	2,581	-	2,581
91	-	-	-	134	-	134
-	-	-	-	144	-	144
\$ 91	\$ -	\$ -	\$ -	\$ 278	\$ -	\$ 278

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2023
(Dollars in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Assets			
Current			
Cash and cash equivalents	\$ 68,620	\$ 33,856	\$ 102,476
Receivables			
Accrued interest on investments	248	122	370
Securities lending collateral	12,355	6,110	18,465
Due from other State funds	11,432	-	11,432
Due from other ISAC funds	1,957	-	1,957
Total current assets	<u>94,612</u>	<u>40,088</u>	<u>134,700</u>
Noncurrent			
Capital assets, net of accumulated depreciation/amortization	1,081	-	1,081
Total noncurrent assets	<u>1,081</u>	<u>-</u>	<u>1,081</u>
Total assets	<u>95,693</u>	<u>40,088</u>	<u>135,781</u>
Deferred Outflows of Resources			
Pension related amounts	5,395	-	5,395
OPEB related amounts	2,125	-	2,125
Total deferred outflows of resources	<u>7,520</u>	<u>-</u>	<u>7,520</u>
Total assets and deferred outflows of resources	<u>\$ 103,213</u>	<u>\$ 40,088</u>	<u>\$ 143,301</u>
Liabilities			
Current			
Accounts payable and accrued liabilities	\$ 9,099	\$ -	\$ 9,099
Due to other State funds	216	-	216
Due to State of Illinois component units	2,794	-	2,794
Securities lending collateral obligation	12,355	6,110	18,465
Due to U.S. Department of Education	-	33,978	33,978
Total liability - OPEB	47	-	47
Lease liability	113	-	113
Compensated absences	37	-	37
Total current liabilities	<u>24,661</u>	<u>40,088</u>	<u>64,749</u>
Noncurrent			
Net liability - pension	10,768	-	10,768
Total liability - OPEB	2,584	-	2,584
Lease liability	590	-	590
SBITA liability	37	-	37
Compensated absences	337	-	337
Total noncurrent liabilities	<u>14,316</u>	<u>-</u>	<u>14,316</u>
Total liabilities	<u>38,977</u>	<u>40,088</u>	<u>79,065</u>

(continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2023
(Dollars in thousands)

	Student Loan Operating <u>Fund</u>	Federal Student Loan <u>Fund</u>	<u>Total</u>
Deferred Inflows of Resources			
Pension related amounts	\$ 24,275	\$ -	\$ 24,275
OPEB related amounts	18,606	-	18,606
Total deferred inflows of resources	42,881	-	42,881
Net Position			
Net investment in capital assets	341	-	341
Unrestricted	21,014	-	21,014
Total net position	21,355	-	21,355
Total liabilities, deferred inflows of resources and net position	\$ 103,213	\$ 40,088	\$ 143,301

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2023
(Dollars in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Operating revenues			
Other	\$ 2,918	\$ -	\$ 2,918
Total operating revenues	<u>2,918</u>	<u>-</u>	<u>2,918</u>
Operating expenses			
Salaries and employee benefits	317	-	317
Pension expenses	(11,216)	-	(11,216)
OPEB expenses	(6,593)	-	(6,593)
Loan guarantees	-	1,151	1,151
Management and professional services	35,697	-	35,697
Depreciation and amortization	256	-	256
Total operating expenses	<u>18,461</u>	<u>1,151</u>	<u>19,612</u>
Operating loss	<u>(15,543)</u>	<u>(1,151)</u>	<u>(16,694)</u>
Non-operating revenues			
ECACE grant revenue	33,890	-	33,890
Interest revenue	2,187	1,151	3,338
Total non-operating revenues	<u>36,077</u>	<u>1,151</u>	<u>37,228</u>
Non-operating expenses			
Interest expense	23	-	23
Total non-operating revenues	<u>23</u>	<u>-</u>	<u>23</u>
Change in net position	20,511	-	20,511
Net position, July 1, 2022	<u>844</u>	<u>-</u>	<u>844</u>
Net position, June 30, 2023	<u>\$ 21,355</u>	<u>\$ -</u>	<u>\$ 21,355</u>

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS

Year ended June 30, 2023

(Dollars in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Cash flows from operating activities			
Cash received from fees and other charges	\$ 3,757	\$ -	\$ 3,757
Cash payments to suppliers for goods and services	(50)	-	(50)
Cash payments to employees for services	(720)	-	(720)
Cash payments for loan guarantees	-	(6,443)	(6,443)
Cash payments for other operating activities	(29,285)	-	(29,285)
Net cash used in operating activities	<u>(26,298)</u>	<u>(6,443)</u>	<u>(32,741)</u>
Cash flows from noncapital financing activities			
Operating grants received	27,237	-	27,237
Net cash provided by noncapital financing activities	<u>27,237</u>	<u>-</u>	<u>27,237</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(124)	-	(124)
Principal paid on capital debt	(158)	-	(158)
Interest paid on capital debt	(23)	-	(23)
Net cash used in capital and related financing activities	<u>(305)</u>	<u>-</u>	<u>(305)</u>
Cash flows from investing activities			
Interest and dividends on investments	2,000	1,065	3,065
Net cash provided by investing activities	<u>2,000</u>	<u>1,065</u>	<u>3,065</u>
Increase (decrease) in cash and cash equivalents	2,634	(5,378)	(2,744)
Cash and cash equivalents, July 1, 2022	<u>65,986</u>	<u>39,234</u>	<u>105,220</u>
Cash and cash equivalents, June 30, 2023	<u>\$ 68,620</u>	<u>\$ 33,856</u>	<u>\$ 102,476</u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (15,543)	\$ (1,151)	\$ (16,694)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation and amortization	256	-	256
Change in assets and liabilities			
Intergovernmental receivables	96	-	96
Due from other State funds	97	-	97
Accounts payable and accrued liabilities	5,702	(6,500)	(798)
Intergovernmental payables	-	1,208	1,208
Due to other State funds and component units	1,347	-	1,347
Compensated absences	(41)	-	(41)
Deferred inflows related to pensions and OPEB	(1,694)	-	(1,694)
Deferred outflows related to pensions and OPEB	5,422	-	5,422
Net liability - pension	(13,263)	-	(13,263)
Total liability - OPEB	(8,677)	-	(8,677)
Total adjustments	<u>(10,755)</u>	<u>(5,292)</u>	<u>(16,047)</u>
Net cash used in operating activities	<u>\$ (26,298)</u>	<u>\$ (6,443)</u>	<u>\$ (32,741)</u>

OTHER INFORMATION

College Illinois!® Prepaid Tuition Program

Actuarial Soundness Valuation Report as of
June 30, 2023





August 29, 2023

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, 2023

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, 2023. 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, 2023.

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, 2023, 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, 2023, and does not reflect subsequent market volatility.

The actuarial soundness valuation results summarized in this report involve actuarial calculations that require assumptions about future events. Most of the actuarial assumptions (with the exception of the investment return assumption and the tuition and fee increase assumption) 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. Although the College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period and is still not accepting new contracts, we recommend performing an updated experience study to determine the continued appropriateness of the actuarial assumptions.

With regard to the investment return assumption and the tuition and fee increase assumption, ISAC annually provides us with a detailed analysis of these two assumptions and prescribes the corresponding rates to use for the annual actuarial valuation. As such, these assumptions were provided by and are the responsibility of ISAC.

Based on information provided to us by ISAC, the investment return assumption and tuition and fee increase assumptions for the June 30, 2023 actuarial valuation are as follows:

- The net investment return assumption under the “select and ultimate” rate structure was changed from an initial rate of 5.00 percent for fiscal year 2023 grading down to the ultimate rate of 3.00 percent in fiscal years on and after 2029 (in 0.333 percent annual increments) to an initial rate of 5.00 percent for fiscal year 2024 grading down to the ultimate rate of 3.00 percent in fiscal years on and after 2031 (in 0.286 percent annual increments).
- The tuition and fee increase assumption was unchanged from 4.25 percent per year for all types of contracts.

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 2023/2024 enrollment period. According to the ISAC website “College Illinois! is no longer accepting new enrollments.”

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.

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 5.00 percent in fiscal year 2024 grading down to 3.00 percent in 2031, on a select and ultimate basis, is reasonable for the purposes of measuring the Program's future obligations. Additionally, we believe the assumed rate of tuition increases of 4.25 percent per year is reasonable for the purpose of measuring the Program's future obligations.

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, 2023. All calculations have been made in conformity with generally accepted actuarial principles and practices commonly applicable to similar types of arrangements.

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 and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled. We are relying on the GRS actuaries and Internal Software, Training, and Processes Team who developed and maintain the model.

Lance J. Weiss and Alex Rivera are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Lance J. Weiss and Alex Rivera are independent of ISAC.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

SIGNED ORIGINAL ON FILE

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

SIGNED ORIGINAL ON FILE

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



Table of Contents

	<u>Page</u>
Section A	Executive Summary
	Summary of Results 1-3
	Discussion..... 4-7
Section B	Actuarial Soundness Valuation Results
	Exhibit I – Principal Actuarial Soundness Valuation Results 1-2
	Exhibit II – (Gain)/Loss Summary 3
	Exhibit III – (Gain)/Loss History 4
	Exhibit IV – Sensitivity Testing Results 5-6
Section C	Fund Assets
	Statement of Plan Net Assets 1
	Allocation of Assets by Category at June 30, 2023 2
	Reconciliation of Market Value of Plan Assets 3
Section D	Participant Data 1-6
Section E	Actuarial Valuation Methods and Assumptions 1-6
Section F	Plan Provisions 1-3



SECTION A

EXECUTIVE SUMMARY

Summary of Results

Principal Actuarial Soundness Valuation Results

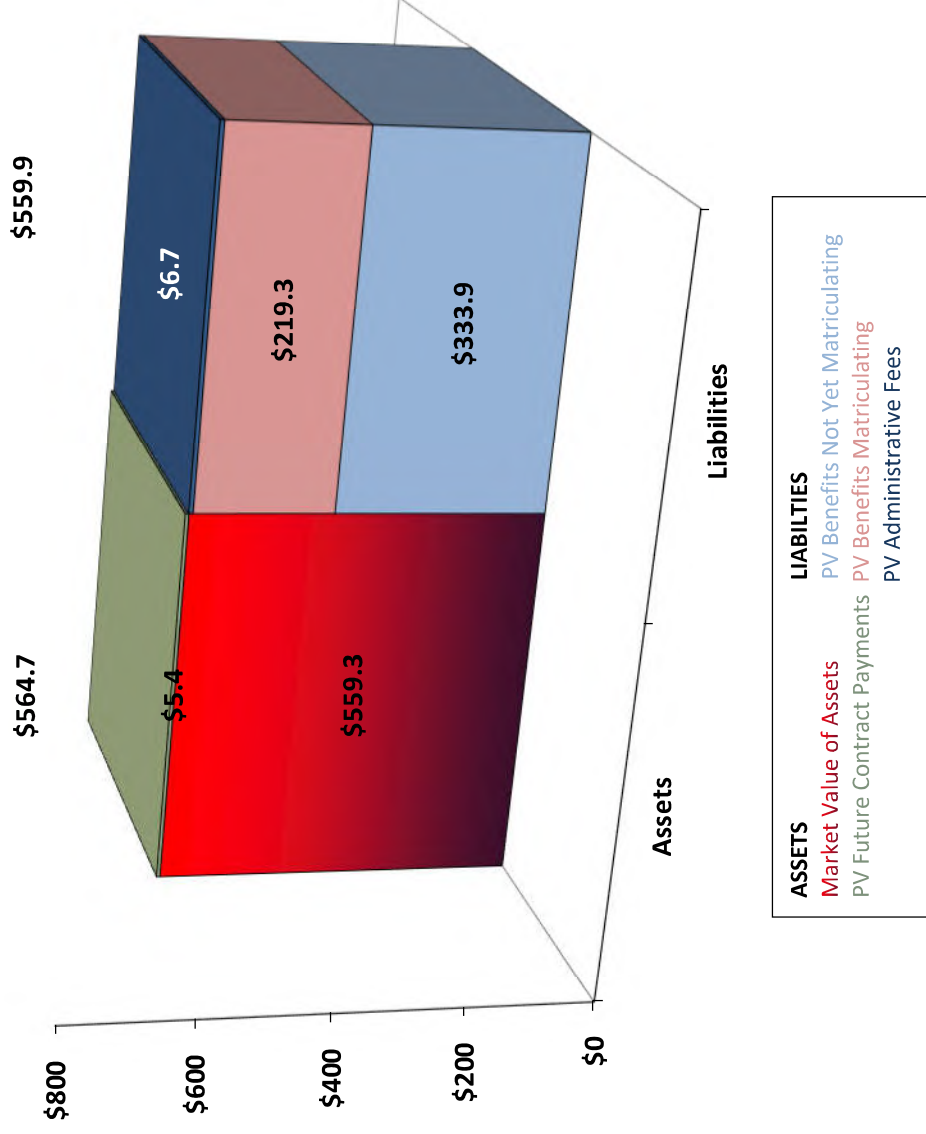
Valuation Date:	June 30, 2023	June 30, 2022
Membership Summary:		
Counts		
Not Yet Matriculating	8,735	10,837
Matriculating ^a	9,991	10,838
Total	18,726	21,675
Average years until Enrollment if Not Yet Matriculating	2.3	2.6
Assets ^b		
· Actuarial Value of Assets (AVA)	\$564,715,923	\$646,854,088
· Estimated Return	6.0%	-8.0%
Actuarial Liabilities (Present Value of Future Tuition Payments, Fees and Administrative Expenses)	\$559,928,714	\$674,860,201
Deficit/(Surplus)	(\$4,787,209)	\$28,006,113
Funded Ratio	100.9%	95.9%

^a Counts include 5,015 contracts in 2023 and 4,012 contracts in 2022 that are classified as "Matriculating" but have used less than 10 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, 2023 \$ in Millions



Numbers may not add due to rounding.

Summary of Results

Funded Status as of June 30, 2023

	June 30, 2023
Actuarial Present Value of Future Tuition Payments, Fees and Expenses	\$559,928,714
Actuarial Value of Assets (Including the Present Value of Installment Contract Receivables)	\$564,715,923
Deficit/(Surplus) as of June 30, 2023	\$(4,787,209)

Gain/Loss Summary

	Deficit/(Surplus)
Value at June 30, 2022	\$ 28,006,113
Expected Value at June 30, 2023	\$ 29,406,418
(Gain)/Loss Due to:	
Investment Experience	\$ (6,059,305)
Due from Other State Funds	-
Change in Assumptions and Methods	(11,458,863)
Tuition/Fee Inflation	(11,955,238)
Other Demographic Experience*	(4,720,221)
Total	\$ (34,193,627)
Actual Value at June 30, 2023	\$ (4,787,209)

* *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. Also includes changes in expected future administrative expenses compared to projections from the previous actuarial valuation.*

The change in assumptions and methods includes the change in the near-term investment return assumption, change in the present value of future administrative expenses calculation, and the impact on the liabilities of the ultimate investment return assumption being first used in fiscal year 2031 compared to fiscal year 2029.

Additional Details on the development of the Expected Value at June 30, 2023, 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, 2023.

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, 2023, 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 first CIPTP contracts were offered for sale in 1998.

The purpose of the program was to provide Illinois families with an affordable tax-advantaged method to pay for college.

Existing 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 were able to 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 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 2023/2024 enrollment period. According to the ISAC website “College Illinois! is no longer accepting new enrollments.”

As of June 30, 2023, the CIPTP had 18,726 contracts included in the actuarial valuation.

Discussion

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 (with the exception of the investment return assumption and the tuition and fee increase assumption) 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. Although the College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period and is still not accepting new contracts, we recommend performing an updated experience study to determine the continued appropriateness of the actuarial assumptions.

With regard to the investment return assumption and the tuition and fee increase assumption, ISAC annually provides us with a detailed analysis of these two assumptions and prescribes the corresponding rates to use for the annual actuarial valuation. As such, these assumptions were provided by and are the responsibility of ISAC.

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 5.00 percent for fiscal year 2023 grading down to the ultimate rate of 3.00 percent in fiscal years on and after 2029 (in 0.333 percent annual increments) to an initial rate of 5.00 percent for fiscal year 2024 grading down to the ultimate rate of 3.00 percent in fiscal years on and after 2031 (in 0.286 percent annual increments).

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 5.00 percent in fiscal year 2024 grading down to 3.00 percent in 2031, on a select and ultimate basis, is reasonable for the purposes of measuring the Program's future obligations. Additionally, we believe the assumed rate of tuition increases of 4.25% per year is reasonable for the purpose of measuring the Program's future obligations.

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, 2023

As of June 30, 2023, the present value of all future tuition obligations under contracts outstanding (and including future administrative expenses) is \$559,928,714. The value of fund assets as of June 30, 2023, including the market value of program assets and the present value of installment contract receivables, is \$564,715,923.



Discussion

The difference between the present value of future tuition obligations and the value of assets as of June 30, 2023, represents a program surplus of \$4,787,209. This is comparable to the program deficit from the June 30, 2022 actuarial soundness valuation of \$28,006,113. The change from a deficit of \$28,006,113 as of June 30, 2022 to a surplus of \$4,787,209 as of June 30, 2023 is \$32,793,322.

Gain/Loss Analysis

As described on the previous page, over the past year, the financial status of the program changed from a deficit of \$28.0 million as of June 30, 2022, to a surplus of \$4.8 million as of June 30, 2023. Based on the actuarial assumptions used during the June 30, 2022 actuarial soundness valuation and actual tuition payments, refunds and fees, the deficit was expected to increase to \$29.4 million. The factors which caused the deficit to decrease by \$34.2 million compared to the expected deficit were (1) assumption changes including the change in the investment return assumption, (2) tuition and fee increases that were less than expected (increases that were lower than the assumption of 4.25 percent used in the last actuarial valuation) and (3) 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 and lower projected future administrative expenses compared to the previous actuarial valuation).

The funded ratio increased from 95.9 percent as of June 30, 2022, to 100.9 percent as of June 30, 2023.

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”).

It is our understanding there were no changes in the program provisions since the last actuarial soundness valuation as of June 30, 2022.

Assets

CIPTP assets are held in trust. ISAC provided the asset information used in the June 30, 2023 actuarial valuation.

This report contains several exhibits summarizing the plan’s assets, including a summary of the market value of assets broken down by asset category and a reconciliation of the assets from the last actuarial valuation date to the current actuarial valuation date. The approximate return on market value of assets was 6.0 percent for the year ended June 30, 2023.

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.



Discussion

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 for the periods from 2017/2018 to 2022/2023.

Projected Results

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 2023/2024 enrollment period. According to the ISAC website “College Illinois! is no longer accepting new enrollments.” 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, 2023. Based on an investment return assumption that grades down from 5.00 percent for the 2024 fiscal year to 3.00 percent for the 2031 fiscal year, current Trust assets including future payments from current contract holders, and future investment income are projected to be sufficient to make the required tuition payments and maintain solvency until the end of the program. 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, 2023	June 30, 2022
1. Number of Members		
a. Not Yet Matriculating:	8,735	10,837
b. Matriculating ^a :	9,991	10,838
c. Total	18,726	21,675
 Average Years until Enrollment if Not Yet Matriculating	 2.3	 2.6
2. Assets		
a. Market Value of Assets (in Trust)	\$ 559,315,908	\$ 639,028,685
b. PV Future Member Contributions	5,400,015	7,825,403
c. Total Actuarial Value of Assets (AVA) (2a + 2b)	\$ 564,715,923	\$ 646,854,088
3. Actuarial Results		
Liabilities		
a. Not yet Matriculating - Tuition and Fees	\$ 333,899,619	\$ 422,118,300
b. Matriculating - Tuition and Fees	219,323,803	238,125,023
c. Present Value of Future Administrative Expenses	6,705,292	14,616,878
d. Total	\$ 559,928,714	\$ 674,860,201
 Unfunded Liability/(Surplus)	 \$ (4,787,209)	 \$ 28,006,113
 Funded Ratio	 100.9%	 95.9%

^a Counts include 5,015 contracts in 2023 and 4,012 contracts in 2022 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, 2023	June 30, 2022
1. Assets		
a. Market Value of Assets (in Trust)	\$ 559,315,908	\$ 639,028,685
b. PV Future Member Contributions (Short Term) ^a	1,721,406	2,492,367
c. PV Future Member Contributions (Long Term) ^b	3,678,609	5,333,036
d. Total Market Value of Assets (MVA)	\$ 564,715,923	\$ 646,854,088
2. Actuarial Present Value of Tuition, Fees and Admin Expenses		
a. Short Term ^a	\$ 105,578,406	\$ 122,860,544
b. Long Term ^b	454,350,308	551,999,657
c. Total	\$ 559,928,714	\$ 674,860,201
Unfunded Liability/(Surplus)	\$ (4,787,209)	\$ 28,006,113
Funded Ratio	100.9%	95.9%

^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	Deficit/(Surplus)
1. Values at June 30, 2022	\$ 674,860,201	\$ 646,854,088	\$ 28,006,113
2. Actual Tuition Payments, Refunds and Administrative Expenses	\$ (118,003,706)	\$ (118,003,706)	\$ -
3. Interest on 1. and 2. at 5.00%	\$ 30,828,899	\$ 29,428,594	\$ 1,400,305
4. New Contracts	\$ -	\$ -	\$ -
5. Projected Values at June 30, 2023 (1. + 2. + 3. + 4.)	\$ 587,685,394	\$ 558,278,976	\$ 29,406,418
6. (Gain)/Loss Due to:			
Investment Experience	\$ -	\$ (6,059,305)	\$ (6,059,305)
Due from Other State Funds	-	-	-
Change in Assumptions and Methods	(11,508,654)	49,791	(11,458,863)
Tuition/Fee Inflation	(11,955,238)	-	(11,955,238)
Other Demographic Experience ^b	(4,292,788)	(427,433)	(4,720,221)
Total	\$ (27,756,680)	\$ (6,436,947)	\$ (34,193,627)
7. Actual Values at June 30, 2023 (5. + 6.)	\$ 559,928,714	\$ 564,715,923	\$ (4,787,209)

^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, 2023, 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. Also includes changes in expected future administrative expenses compared to projections from the previous actuarial valuation. 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, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023	Total 5-Year Change
Unfunded Liability at Prior Valuation Date	\$ 307,711,673	\$ 317,491,361	\$ 340,312,560	\$ 238,281,263	\$ 28,006,113	
Projected Unfunded Liability at Valuation Date	\$ 326,943,653	\$ 336,540,843	\$ 359,880,533	\$ 250,791,030	\$ 29,406,418	
(Gain)/Loss Due to:						
Investment Experience	\$ 15,885,182	\$ 29,831,698	\$ (58,571,581)	\$ 76,345,371	\$ (6,059,305)	\$ 57,431,365
Due from Other State Funds	-	-	(30,000,000)	(250,000,000)	-	(280,000,000)
Change in Assumptions	(4,317,928)	2,020,837	(5,170,637)	(11,965,512)	(11,458,863)	(30,892,103)
Tuition/Fee Inflation	(16,543,198)	(17,329,898)	(26,860,166)	(26,830,449)	(11,955,238)	(99,518,949)
Other Demographic Experience	(4,476,348)	(10,750,920)	(996,886)	(10,334,327)	(4,720,221)	(31,278,702)
Total	\$ (9,452,292)	\$ 3,771,717	\$ (121,599,270)	\$ (222,784,917)	\$ (34,193,627)	\$ (384,258,389)
Unfunded Liability/(Surplus) at Valuation Date	\$ 317,491,361	\$ 340,312,560	\$ 238,281,263	\$ 28,006,113	\$ (4,787,209)	

Following is a summary of the investment return assumption and tuition and fee increase assumption used in each of the past five actuarial valuations.

Valuation Date

- June 30, 2019* A select and ultimate rate structure of 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. A flat 4.75 percent tuition and fee increase assumption for all future years.
- June 30, 2020* A select and ultimate rate structure of 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. A flat 4.75 percent tuition and fee increase assumption for all future years.
- June 30, 2021* A select and ultimate rate structure of an initial rate of 5.25 percent for fiscal year 2022, grading down in annual increments of 0.450 percent to the ultimate rate of 3.00 percent in fiscal years on and after 2027. A flat 4.50 percent tuition and fee increase assumption for all future years.
- June 30, 2022* A select and ultimate rate structure of an initial rate of 5.00 percent for fiscal year 2023, grading down in annual increments of 0.333 percent to the ultimate rate of 3.00 percent in fiscal years on and after 2029. A flat 4.25 percent tuition and fee increase assumption for all future years.
- June 30, 2023* A select and ultimate rate structure of an initial rate of 5.00 percent for fiscal year 2024, grading down in annual increments of 0.286 percent to the ultimate rate of 3.00 percent in fiscal years on and after 2031. A flat 4.25 percent tuition and fee increase assumption for all future years.



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 5.00 percent in Fiscal Year 2024 graded down in yearly increments to 3.00 percent on and after Fiscal Year 2031, 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 (5.25%/3.25% compared to 4.25%) in each future year than assumed in the baseline valuation (measurement of soundness).
2. Fee increases are 100 basis points higher/lower (5.25%/3.25% compared to 4.25%) in each future year than assumed in the baseline valuation (measurement of soundness).
3. The investment return is 50 basis points higher/lower (5.50% initial and 3.50% ultimate/4.50% initial and 2.50% ultimate compared to 5.00% initial and 3.00% 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		Assumed Fee		Assumed Investment Return		Assumed Investment Return	
	Increases 100 Basis Points	Decreases 100 Basis Points	Increases 100 Basis Points	Decreases 100 Basis Points	Increases 100 Basis Points	Decreases 100 Basis Points	Increases 50 Basis Points	Decreases 50 Basis Points	Increases 50 Basis Points	Decreases 50 Basis Points
1. Assets										
a. Market Value of Assets (in Trust)	\$559.3	\$559.3	\$559.3	\$559.3	\$559.3	\$559.3	\$559.3	\$559.3	\$559.3	\$559.3
b. PV Future Member Contributions	5.4	5.4	5.4	5.4	5.4	5.4	5.3	5.3	5.5	5.5
c. Total Actuarial Value of Assets (AVA) (2a + 2b)	\$564.7	\$564.7	\$564.7	\$564.7	\$564.7	\$564.7	\$564.6	\$564.6	\$564.8	\$564.8
2. Actuarial Results										
Liabilities										
a. Not yet Matriculating - Tuition and Fees	\$333.9	\$340.2	\$327.9	\$337.4	\$330.6	\$326.2	\$341.9	\$341.9	\$341.9	\$341.9
b. Matriculating - Tuition and Fees	219.3	221.1	217.6	220.2	218.5	217.2	221.5	221.5	221.5	221.5
c. Present Value of Future Administrative Expenses	6.7	6.7	6.7	6.7	6.7	6.6	6.8	6.8	6.8	6.8
d. Total	\$559.9	\$568.0	\$552.2	\$564.3	\$555.8	\$550.0	\$570.2	\$570.2	\$570.2	\$570.2
Unfunded Liability/(Surplus)	-\$4.8	\$3.3	-\$12.5	-\$0.4	-\$8.9	-\$14.6	\$5.4	\$5.4	\$5.4	\$5.4
Funded Ratio	100.9%	99.4%	102.3%	100.1%	101.6%	102.7%	99.1%	99.1%	99.1%	99.1%
Depletion Year	N/A	2038	N/A	2039	N/A	N/A	2037	2037	2037	2037
Difference from Current Assumptions										
Unfunded Liability/(Surplus)	\$8.1	-\$7.7	\$4.4	-\$4.1	-\$9.8	-\$10.2	\$10.2	\$10.2	\$10.2	\$10.2
Funded Ratio	-1.5%	1.4%	-0.8%	0.7%	1.8%	-1.8%	-1.8%	-1.8%	-1.8%	-1.8%

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, 2023

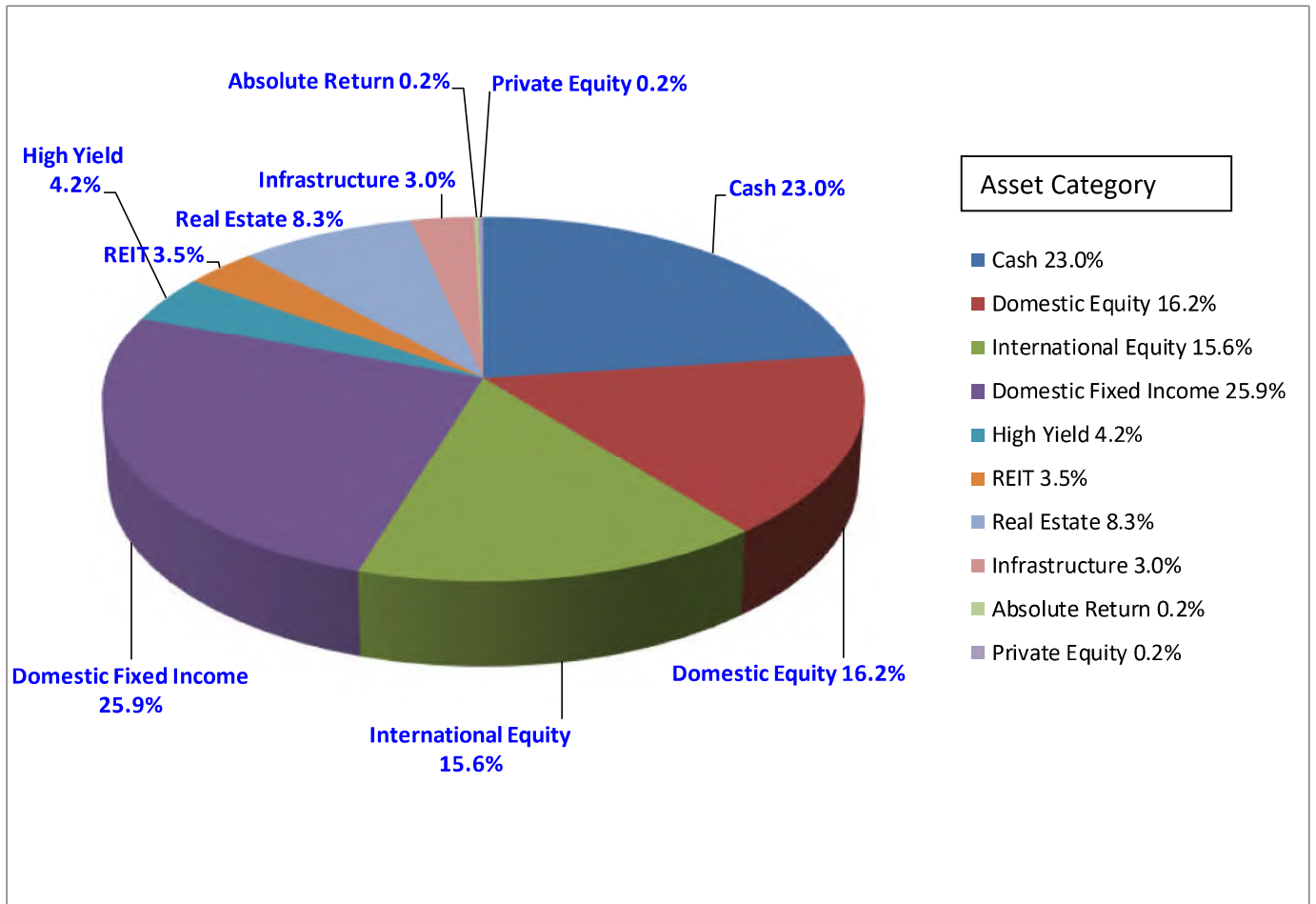
		% of Total
Cash ^a	\$ 128,365,009	23.0%
Investments		
Domestic Equity	\$ 90,721,387	16.2%
International Equity	87,106,016	15.6%
Domestic Fixed Income	144,619,107	25.9%
High Yield	23,360,080	4.2%
REIT	19,458,843	3.5%
Real Estate	46,503,777	8.3%
Infrastructure	16,757,331	3.0%
Absolute Return	1,148,974	0.2%
Private Equity	1,275,384	0.2%
Total Investments	<u>\$ 430,950,899</u>	<u>77.0%</u>
Due from Other State Funds	\$ -	0.0%
Total Assets	<u>\$ 559,315,908</u>	<u>100.0%</u>

^a Cash amount includes \$124,551,644 from the GH Fixed Income Ladder.

Numbers may not add due to rounding.



Allocation of Assets at June 30, 2023



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, 2023

Beginning of Period		7/1/2022
End of Period		6/30/2023
Additions:		
Contributions Received and Contract Fees	\$	3,117,318
Gross investment income		13,574,181
Realized/Unrealized investment gains/(losses)		22,540,551
Due from Other State Funds		-
Total Additions	\$	39,232,050
Deductions:		
Tuition payments	\$	90,812,619
Refunds to Purchasers		25,125,633
Investment expenses & advisory fees		941,121
Administrative expenses		2,065,454
Total Deductions	\$	118,944,827
Net increase/(decrease)	\$	(79,712,777)
Market Value of Assets:		
Beginning of period	\$	639,028,685
End of period (6/30/2023)	\$	559,315,908
Present Value of Future Contributions by Current Contract Holders		5,400,015
Market Value of Total Fund Assets as of June 30, 2023	\$	564,715,923

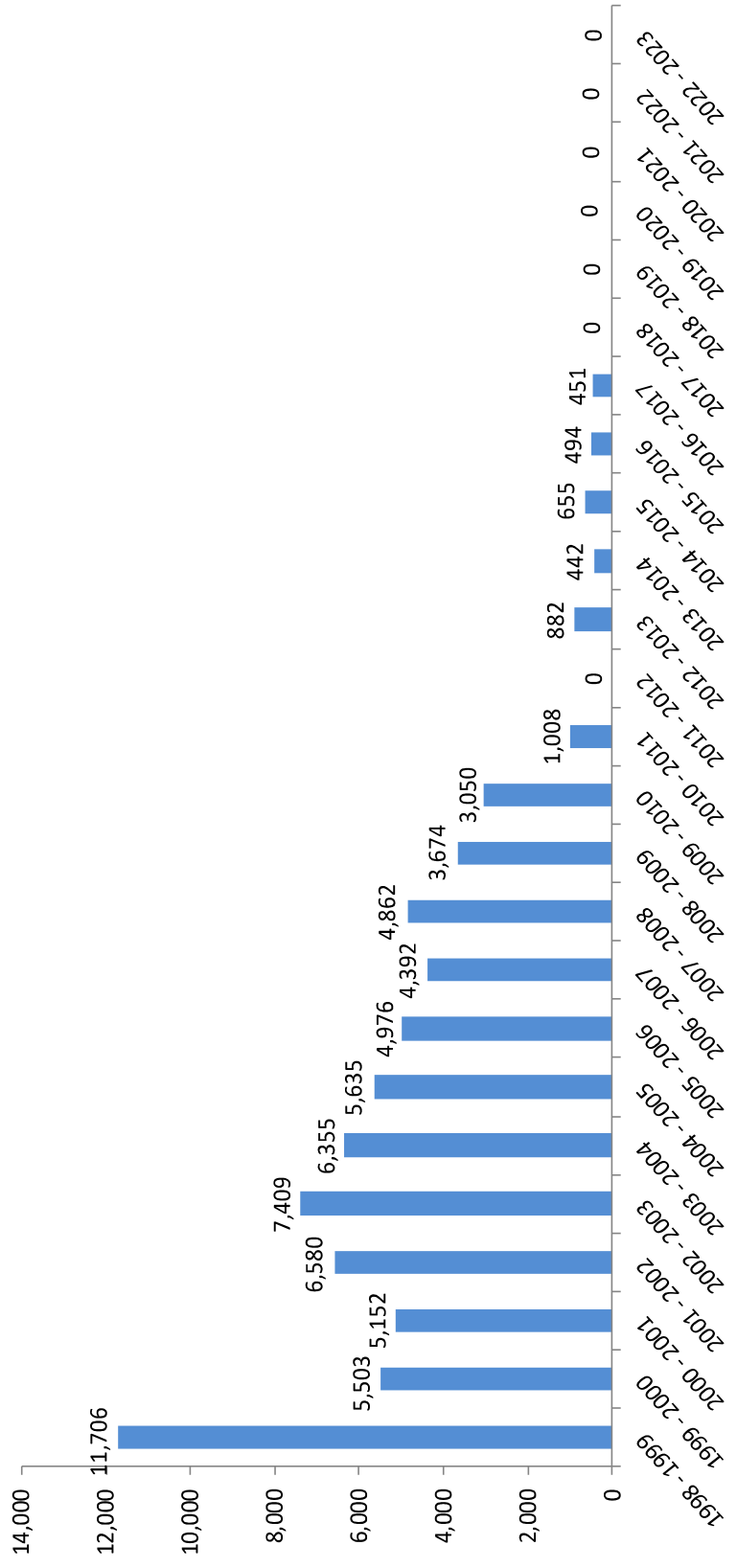


SECTION D

PARTICIPANT DATA

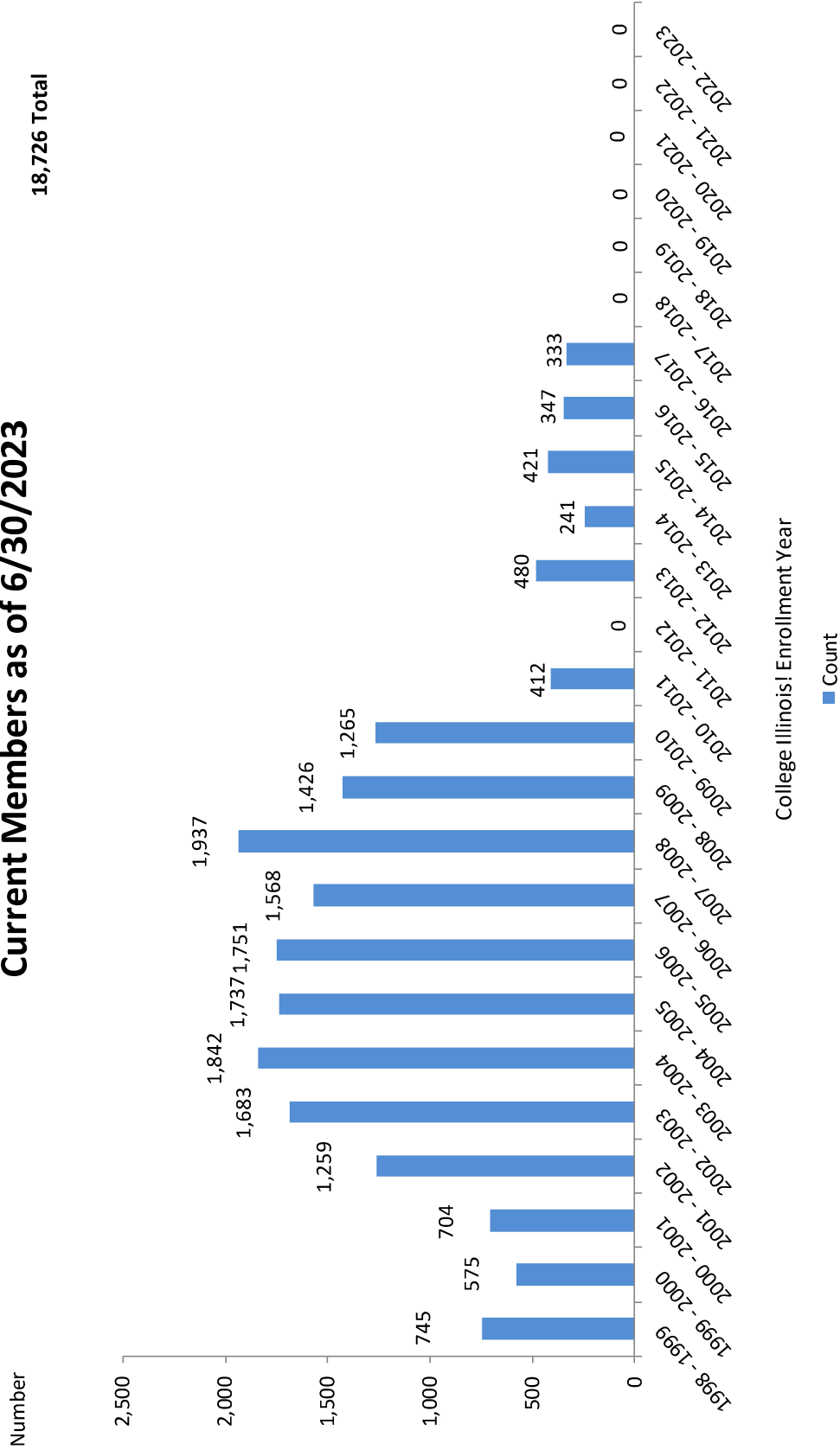
College Illinois!® Prepaid Tuition Program Contract Counts by Enrollment Year All Current and Past Members as of 6/30/2023

Number 73,226 Total



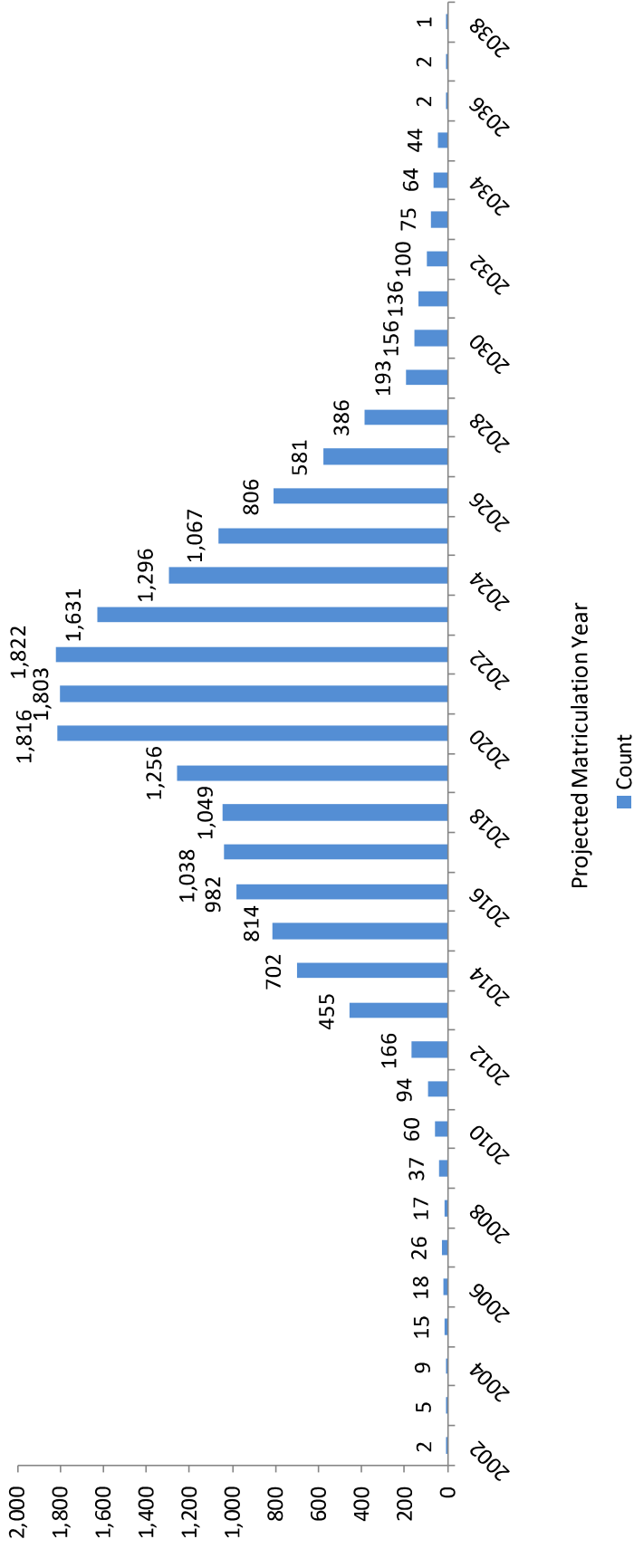
College Illinois!® Prepaid Tuition Program Contract Counts by Enrollment Year Current Members as of 6/30/2023

18,726 Total

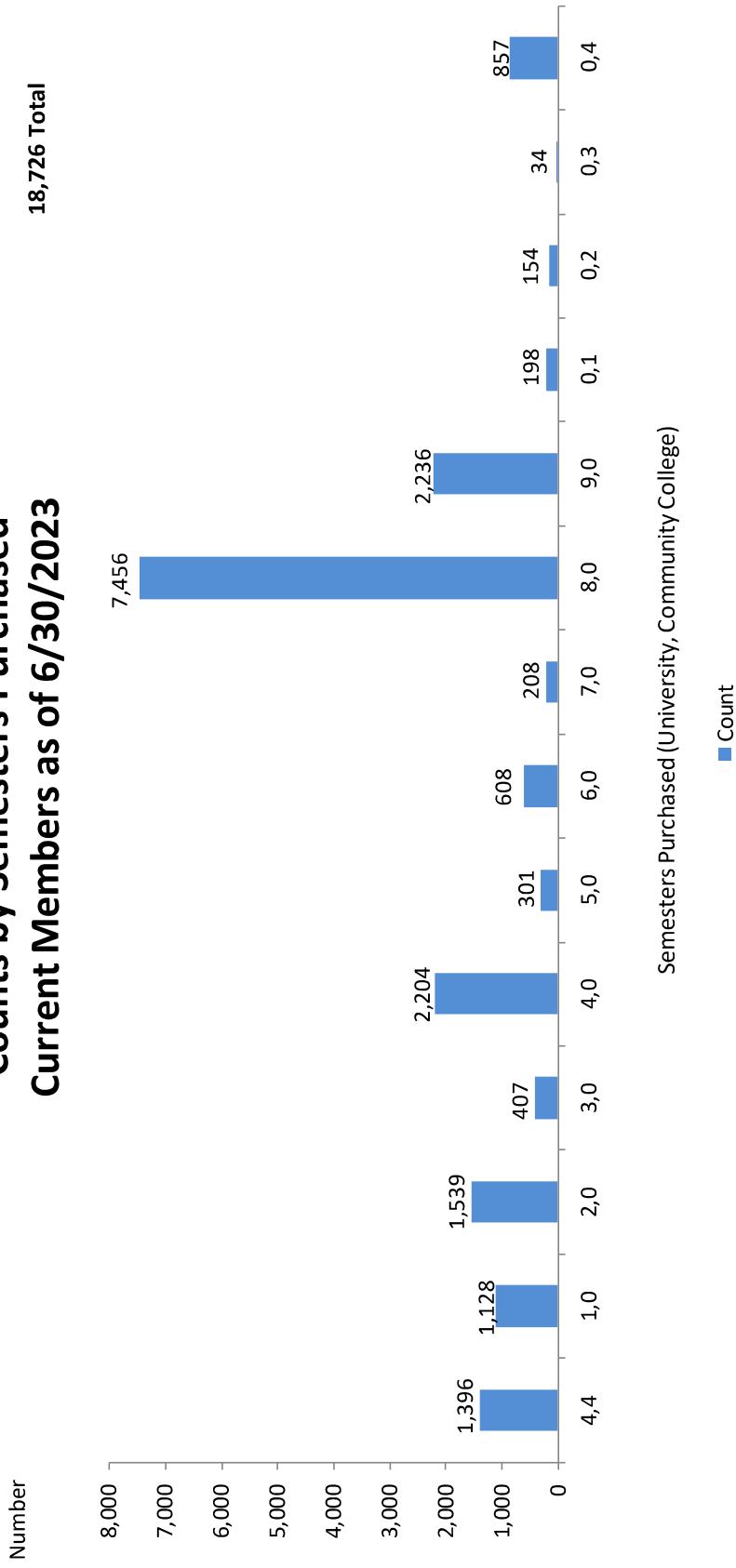


College Illinois!® Prepaid Tuition Program Counts by Projected Matriculation Year Current Members as of 6/30/2023

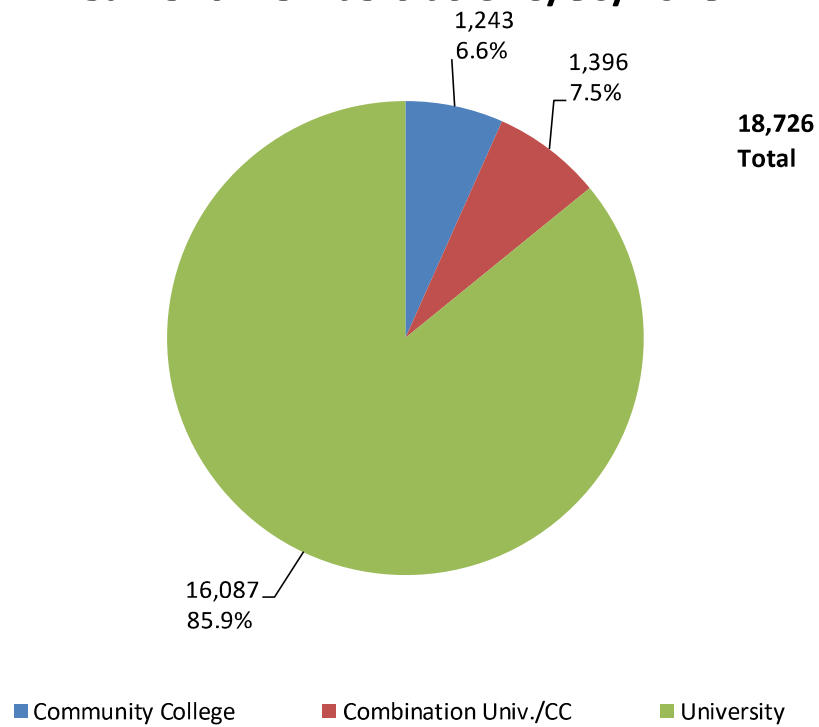
18,726 Total



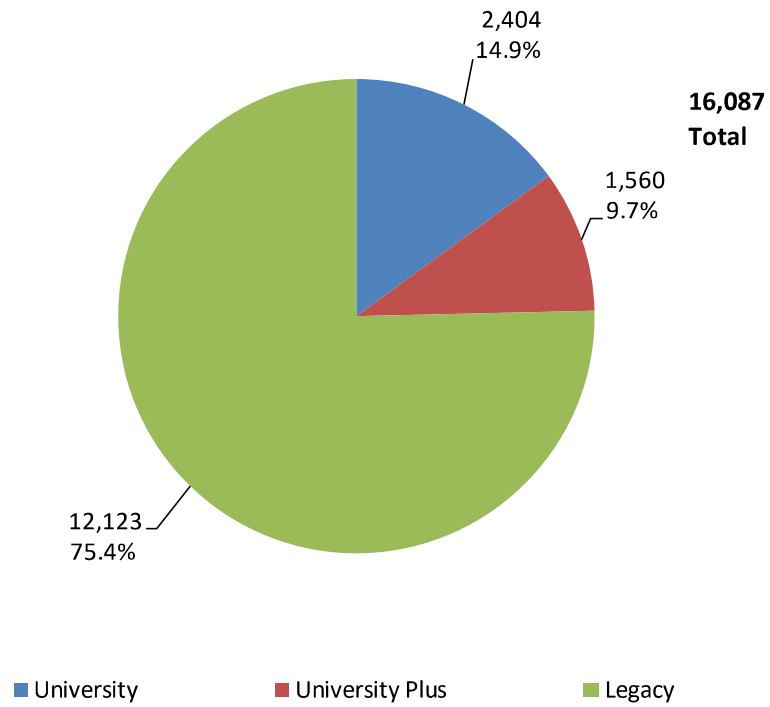
College Illinois!® Prepaid Tuition Program Counts by Semesters Purchased Current Members as of 6/30/2023



College Illinois!® Prepaid Tuition Program Counts by Contract Type Current Members as of 6/30/2023



College Illinois!® Prepaid Tuition Program University Counts by Type Current Members as of 6/30/2023



SECTION E

ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

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 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 2023/2024 enrollment period.

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

Measurement Date June 30, 2023

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, 2023, and prescribed to us by ISAC.)

Net Investment Return Rate

<u>Fiscal Year</u> <u>Ending 6/30</u>	<u>Net Investment Return Rate</u>
2024	5.000%
2025	4.714%
2026	4.429%
2027	4.143%
2028	3.857%
2029	3.571%
2030	3.286%
2031+	3.000%

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 5.00 percent in fiscal year 2024 grading down to 3.00 percent in 2031, on a select and ultimate basis, is reasonable for the purposes of measuring the Program's future obligations. Additionally, we believe the assumed rate of tuition increases of 4.25 percent per year is reasonable for the purpose of measuring the Program's future obligations.



Actuarial Valuation Methods and Assumptions

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†
2023-2024 Weighted Tuition	\$4,410	\$11,514	\$14,829	\$12,349
2023-2024 Weighted Fees	545	4,159	4,860	4,336
2023-2024 Total WATF	4,955	15,673	19,689	16,685

†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.

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

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy
2023-2024 Total WATF	\$4,955	\$15,673	\$19,689	\$16,685
2022-2023 Total WATF	4,894	15,373	19,283	16,474
WATF Increase	1.25%	1.95%	2.11%	1.28%

Bias Load

“Legacy,” Choice 1 and Choice 2 contract beneficiaries are assumed on average to attend more expensive schools than indicated by the headcount information that was used to determine the 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%

Actuarial Valuation Methods and Assumptions

Tuition and Fee Increase Assumption

Tuition and Fee Increase Assumption - June 30, 2023, Actuarial Valuation				
Effective Date	Community College	University	University Plus	Legacy
6/30/2023 and Beyond	4.25%	4.25%	4.25%	4.25%

(First effective with the actuarial soundness valuation as of June 30, 2022, 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
2023-2024 Weighted Tuition	\$4,410	\$11,514	\$14,829	\$12,349
2022-2023 Weighted Tuition	4,360	11,300	14,619	12,235
2021-2022 Weighted Tuition	4,281	11,123	14,074	11,914
2020-2021 Weighted Tuition	4,075	11,151	14,106	11,950
2019-2020 Weighted Tuition	4,012	11,025	13,885	11,805

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.



Actuarial Valuation Methods and Assumptions

Years from Projected College Entrance Year	Cancellation Rate	Years from Projected College Entrance Year	Cancellation Rate
-17	8.0%	-3	1.0%
-16	7.0%	-2	1.0%
-15	6.0%	-1	1.5%
-14	4.0%	0	1.5%
-13	4.0%	1	3.0%
-12	3.0%	2	3.0%
-11	3.0%	3	5.0%
-10	3.0%	4	5.0%
-9	2.0%	5	7.5%
-8	1.5%	6	7.5%
-7	1.5%	7	5.0%
-6	1.5%	8	5.0%
-5	1.5%	9	5.0%
-4	1.0%	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 Matriculation

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%

Actuarial Valuation Methods and Assumptions

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

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 only be applicable to future contracts. Administrative expenses for FY 2024 are projected to equal actual 2023 expenses multiplied by the ratio of actual 2023 administrative expenses to actual 2022 administrative expenses. Future year (for FY 2025 and later) administrative expenses are projected to then decline at the same rate the present value of benefits declines. The present value of future administrative expenses for FY 2023 is equal to approximately 1.2 percent of the total liabilities.

Mortality and Disability

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

Liability Adjustment

The liabilities for contract beneficiaries assumed to use tuition benefits were adjusted to account for the provision that benefits shall never be less than the amount paid for the contract.



Actuarial Valuation Methods and Assumptions

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. (For contracts sold prior to October 2008, there was one type of University contract, which are currently referred to as Legacy contacts.)

From the College Illinois! Prepaid Tuition Program Student Handbook:

Choice 1 Community College Plan

Provides in-district tuition and mandatory fees for each semester (15 credit hours) purchased at an Illinois Community College.

Choice 2 University Plan

Provides undergraduate in-state tuition and mandatory fee coverage for each semester (15 credit hours) purchased at any of the following eligible institutions: Chicago State University, Eastern Illinois University, Governors State University, Illinois State University, Northeastern Illinois University, Northern Illinois University, Southern Illinois University Carbondale, Southern Illinois University Edwardsville, University of Illinois Chicago, University of Illinois Springfield, Western Illinois University.

Choice 3 University Plus Plan

Provides undergraduate in-state tuition and mandatory fee coverage for each semester (15 credit hours) purchased at the University of Illinois Urbana Champaign.

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.



Plan Provisions

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.



Plan Provisions

<i>G. Cancellation/Refunds</i>	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.)
<i>H. Death/Disability of Qualified Beneficiary</i>	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>I. Other Ancillary Benefits</i>	There are no ancillary benefits.
<i>J. Truth in Tuition</i>	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.
<i>K. New Contracts</i>	Effective as of the 2017/2018 period, CIPTP has not accepted new contracts.
<i>L. Extraordinary Contributions</i>	In fiscal year 2022, ISAC secured state funding that significantly addressed the College Illinois!® Prepaid Tuition Program unfunded liability. There were two State appropriations from the State's General Revenue Fund on behalf of fiscal year 2022 – one for \$20 million and a second appropriation of \$230 million that are reflected in the actuarial valuation as of June 30, 2022. (There was an additional State appropriation of \$30 million on behalf of fiscal year 2021.)
<i>M. Changes from Previous Valuation</i>	None.



College Illinois!® Prepaid Tuition Program

Supplemental Actuarial Soundness Valuation Report
as of June 30, 2023





October 2, 2023

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 June 30, 2023**

Dear Mr. Zarnikow:

In accordance with the request of the Illinois Student Assistance Commission ("ISAC"), Gabriel, Roeder, Smith & Company ("GRS") has performed a supplemental actuarial valuation of the College Illinois!® Prepaid Tuition Program ("Program" or "CIPTP") as of June 30, 2023 under a prescribed Closed Group Run-Off projection scenario. The purpose of this supplemental actuarial valuation 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.

This supplemental actuarial valuation and 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 with the permission of ISAC. This supplemental actuarial valuation and report 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 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.

This supplemental actuarial valuation report represents one of multiple documents providing actuarial soundness valuation results for the College Illinois!® Prepaid Tuition Program as of June 30, 2023. Additional information regarding the underlying financial and beneficiary data and important additional disclosures are provided in the June 30, 2023 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.

Mr. Eric Zarnikow
Illinois Student Assistance Commission
October 2, 2023
Page 2

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, 2023 Actuarial Soundness Valuation, and unless noted differently, the same actuarial assumptions and methods as used for the June 30, 2023 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, 2023, and does not reflect subsequent market volatility.

The projection results involve actuarial calculations that require assumptions about future events. We believe that the actuarial assumptions, including those prescribed to us by ISAC, are reasonable for the purposes of measuring the Program's future obligations.

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 2023/2024 enrollment period. According to the ISAC website “College Illinois! is no longer accepting new enrollments.” Since 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, 2023.

Based on discussions with ISAC, 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 5.00 percent for fiscal year 2024 to the ultimate rate of 3.00 percent in fiscal years on and after 2031 (in 0.286 percent annual increments.) Based on this investment return assumption, current Trust assets including future payments from current contract holders, and future investment income are projected to be sufficient to make the required tuition payments and maintain solvency until the end of the program.

This report was prepared using our proprietary valuation model and related software and projection spreadsheet models which, in our professional judgment, have the capability to provide results that are consistent with the purposes of the valuation, and have no material limitations or known weaknesses. We performed tests to ensure that the models reasonably represent that which is intended to be modeled. We are relying on the GRS actuaries and Internal Software, Training and Processes Team who developed and maintain the proprietary valuation model.



Mr. Eric Zarnikow
Illinois Student Assistance Commission
October 2, 2023
Page 3

Lance J. Weiss and Alex Rivera are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Lance J. Weiss and Alex Rivera are independent of ISAC.

Respectfully submitted,

Gabriel, Roeder, Smith & Company

SIGNED ORIGINAL ON FILE

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

SIGNED ORIGINAL ON FILE

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



Table of Contents

	<u>Page</u>
Section A	Background
	Purpose of Projection 1
	Closed Group Run-Off Scenario 1
	Projection Assumptions 1
	Financial Status of Program 2
Section B	Projection Results
	Discussion of Scenario Results 4
Section C	Projection Table
	Closed Group -- Run-Off Scenario; Zero New Contracts Sold Per Year 5
Section D	Actuarial Methods and Assumptions6-11
Section E	Plan Provisions12-14



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 supplemental actuarial valuation of the College Illinois!® Prepaid Tuition Program (“Program” or “CIPTP”) as of June 30, 2023 under a prescribed Closed Group Run-Off projection scenario. The purpose of this supplemental actuarial valuation is to provide additional information to ISAC regarding the Program’s projected funding status.

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 for the 2023/2024 enrollment period. According to the ISAC website “College Illinois! is no longer accepting new enrollments.”

Although the Program is closed to new enrollments, a “discontinuance” of the CIPTP has not occurred (as defined in the College Illinois!® 529 Prepaid Tuition Program Disclosure Statement and Master Agreement.) Therefore, based on discussions with ISAC, we have performed a supplemental actuarial valuation of the CIPTP under a prescribed Closed Group Run-Off projection scenario, assuming that the program continues to operate but with no new contract sales after June 30, 2023. Please note that this specific closed group projection scenario was prescribed to us by ISAC and is being presented for illustrative purposes only.

Projection Assumptions

For purposes of this analysis, we used the actuarial soundness valuation results from the June 30, 2023 Actuarial Soundness Valuation, and unless noted differently, the same actuarial assumptions and methods as used for the June 30, 2023 Actuarial Soundness Valuation.

Based on information prescribed to us by ISAC, the investment return assumption and tuition and fee increase assumptions for the June 30, 2023 actuarial valuation are as follows:

- The net investment return assumption under the “select and ultimate” rate structure was changed from an initial rate of 5.00 percent for fiscal year 2023 grading down to the ultimate rate of 3.00 percent in fiscal years on and after 2029 (in 0.333 percent annual increments) to an initial rate of 5.00 percent for fiscal year 2024 grading down to the ultimate rate of 3.00 percent in fiscal years on and after 2031 (in 0.286 percent annual increments).
- The tuition and fee increase assumption was unchanged from 4.25 percent per year for all types of contracts.

Based on recent experience, the present value of future administrative expenses calculation was changed from the method used in the June 30, 2022 actuarial valuation of:

- *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.*



Background

To the following method for the June 30, 2023 actuarial valuation of:

- *Administrative expenses for FY 2024 are projected to equal actual 2023 expenses multiplied by the ratio of actual 2023 administrative expenses to actual 2022 administrative expenses. Future year (for FY 2025 and later) administrative expenses are projected to then decline at the same rate the present value of benefits declines.*

The projection results involve actuarial calculations that require assumptions about future events. We believe that the actuarial assumptions, including those prescribed to us by ISAC, are reasonable for the purposes of measuring the Program's future obligations.

Financial Status of Program as of June 30, 2023

As of June 30, 2023, the present value of all future tuition obligations under contracts outstanding (and including future administrative expenses) is \$559,928,714. The value of fund assets as of June 30, 2023, including the market value of program assets and the present value of installment contract receivables, is \$564,715,923. The difference between the present value of future tuition obligations and the value of assets as of June 30, 2023 represents a program surplus of \$4,787,209. This is comparable to the program deficit from the June 30, 2022 actuarial soundness valuation of \$28,006,113.

Based on the actuarial assumptions used in the June 30, 2022 actuarial soundness valuation and actual tuition payments, refunds and fees, the deficit of \$28.0 million at June 30, 2022 was expected to increase to \$29.4 million as of June 30, 2023. The factors which caused the deficit to decrease by \$34.2 million to a surplus of \$4.8 million compared to the expected deficit of \$29.4 million were (1) investment experience that was greater than the investment return assumption of 5.00 percent, (2) assumption changes including the change in the investment return assumption, (3) tuition and fee increases that were less than expected (increases that were lower than the assumption of 4.25 percent used in the last actuarial valuation) and (4) other demographic experience (which includes deviations in actual contract beneficiary experience from our assumptions related to rates of enrollment, utilization of benefits, contract terminations and refunds, and lower projected future administrative expenses compared to the previous actuarial valuation).

These results are illustrated in the table on the following page.

Background

	Deficit/(Surplus)
Value at June 30, 2022	\$ 28,006,113
Expected Value at June 30, 2023	\$ 29,406,418
(Gain)/Loss Due to:	
Investment Experience	\$ (6,059,305)
Due from Other State Funds	-
Change in Assumptions and Methods	(11,458,863)
Tuition/Fee Inflation	(11,955,238)
Other Demographic Experience*	(4,720,221)
Total	\$ (34,193,627)
Actual Value at June 30, 2023	\$ (4,787,209)

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

The change in assumptions and methods includes the change in the near-term investment return assumption, change in the present value of future administrative expenses calculation, and the change in the ultimate investment return assumption first being used in fiscal year 2031 compared to fiscal year 2029.

The Program assets earned an approximate 6.0 percent rate of return for FY 2023 compared to the assumption for FY 2023 of 5.0 percent.

SECTION B

PROJECTION RESULTS

Discussion of Scenario Results

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

Please note that this specific closed group projection scenario was prescribed to us by ISAC and is being presented for illustrative purposes only.

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 2023/2024 enrollment period. According to the ISAC website “College Illinois! is no longer accepting new enrollments.”

Although the Program is closed to new enrollments, a “discontinuance” of the CIPTP has not occurred (as defined in the College Illinois!® 529 Prepaid Tuition Program Disclosure Statement and Master Agreement.) Therefore, based on discussions with ISAC, we have performed a supplemental actuarial valuation of the CIPTP under a prescribed Closed Group Run-Off projection scenario, assuming that the program continues to operate but with no new contract sales after June 30, 2023.

Under this illustrative closed group projection scenario:

- Current Trust assets including future payments from current contract holders, and future investment income are projected to be sufficient to make the required tuition payments and maintain solvency until the end of the program, and
- The CIPTP funded status as of June 30, 2023 is 100.9 percent and is projected to remain above 100 percent for the remaining years in the projection period.

Under this prescribed Closed Group Run-Off scenario, Trust assets are projected to decline rapidly as tuition benefits are paid. Therefore, based on discussions with ISAC, 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 5.00 percent for fiscal year 2024 to the ultimate rate of 3.00 percent for fiscal years 2031 and after, in equal annual increments of 0.286 percent.



SECTION C

PROJECTION TABLE

Projection Table

Closed Group Projections
Scenario 1 — Run-Off Scenario
Projected Based on Data as of June 30, 2023
Assumed Net Investment Return and Discount Rates Graded Down from 5.00% to 3.00% in 0.286% Yearly Increments
Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2023, Including Assumed Tuition and Fee Increase Assumption of 4.25%
Zero New Contracts Per Year

Year Ending 6/30	Assumed Net Return	Annual New Contracts	Contract Contributions	Additional Required Solvency Contributions	Tuition Payments, Refunds and Fees	Administrative Expenses	Non-Investment Cash Flow	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Liabilities		Unfunded Liability	Funded Ratio	
												Total Present Value of Future Benefits, Fees and Expenses	Present Value of Future Admin Expenses			
2023	5.000%	0	\$ 3,117,318	\$ -	\$ -	\$ 115,938,252	\$ (114,886,388)	\$ 35,173,611	\$ 559,315,908	\$ 5,400,015	\$ 564,715,923	\$ 553,223,422	\$ 6,705,292	\$ 559,928,714	100.9%	
2024	4.714%	0	1,763,916	-	106,583,322	1,602,351	(106,421,757)	23,891,817	476,785,968	3,862,539	480,648,507	471,669,188	5,398,636	477,067,823	100.8%	
2025	4.429%	0	1,264,021	-	99,052,134	1,366,138	(99,154,252)	20,009,860	397,641,576	2,751,158	400,392,734	392,544,973	4,255,174	396,800,147	100.9%	
2026	4.143%	0	840,130	-	91,615,417	1,136,964	(91,912,500)	15,596,688	321,326,014	2,014,463	323,340,477	316,307,040	3,281,750	319,588,790	101.2%	
2027	3.857%	0	721,941	-	84,008,624	916,149	(84,202,832)	11,585,576	248,708,758	1,361,176	250,069,934	243,880,045	2,482,775	246,162,820	101.6%	
2028	3.571%	0	557,793	-	67,929,047	705,793	(68,077,046)	8,292,559	188,924,271	845,229	189,769,500	183,852,421	1,859,264	185,711,685	102.2%	
2029	3.286%	0	376,147	-	48,605,182	532,508	(48,761,544)	5,884,192	146,046,900	492,611	146,539,531	140,953,061	1,383,732	142,336,793	103.0%	
2030	3.000%	0	281,845	-	39,465,881	408,255	(39,592,111)	4,153,500	110,008,309	222,379	110,230,688	105,475,570	1,014,290	106,489,859	104.1%	
2031	3.000%	0	157,603	-	23,228,998	228,026	(23,386,894)	2,877,214	83,864,282	69,101	83,933,383	78,727,658	734,671	79,462,329	105.6%	
2032	3.000%	0	70,130	-	15,440,570	126,195	(15,607,155)	1,646,976	62,645,105	-	62,645,105	57,514,630	525,290	58,039,920	107.9%	
2033	3.000%	0	-	-	14,108,391	166,585	(14,274,876)	925,885	48,684,926	-	48,684,926	43,569,602	371,984	43,941,585	110.8%	
2034	3.000%	0	-	-	9,655,733	88,509	(9,744,241)	527,982	35,680,947	-	35,680,947	30,588,236	255,070	30,843,306	115.9%	
2035	3.000%	0	-	-	7,300,574	62,781	(7,363,354)	324,852	26,880,591	-	26,880,591	21,975,485	172,895	22,148,380	123.0%	
2036	3.000%	0	-	-	5,224,939	43,204	(5,268,143)	210,214	20,214,021	-	20,214,021	14,916,476	114,367	15,030,843	134.5%	
2037	3.000%	0	-	-	3,724,115	29,141	(3,753,256)	121,289,937	15,473,860	-	15,473,860	10,061,237	73,951	10,135,188	152.7%	
2038	3.000%	0	-	-	2,601,393	19,068	(2,620,462)	324,852	9,833,327	-	9,833,327	6,983,510	46,594	7,030,104	182.9%	
2039	3.000%	0	-	-	1,653,648	11,994	(1,665,641)	270,200	8,437,886	-	8,437,886	2,586,847	28,640	2,615,526	235.8%	
2040	3.000%	0	-	-	1,030,773	7,493	(1,038,266)	237,678	7,637,298	-	7,637,298	1,618,332	10,242	1,628,575	324.0%	
2041	3.000%	0	-	-	694,420	4,687	(699,107)	218,710	7,156,901	-	7,156,901	962,123	5,792	7,162,693	469.0%	
2042	3.000%	0	-	-	434,012	2,787	(436,799)	208,203	6,928,305	-	6,928,305	550,512	3,138	6,931,444	739.4%	
2043	3.000%	0	-	-	257,706	1,594	(259,300)	203,988	6,872,993	-	6,872,993	305,485	1,614	6,874,607	1000.0%	
2044	3.000%	0	-	-	153,689	885	(154,573)	203,888	6,922,308	-	6,922,308	158,672	764	6,923,072	1000.0%	
2045	3.000%	0	-	-	103,085	460	(103,544)	206,128	7,024,892	-	7,024,892	58,813	321	7,025,213	1000.0%	
2046	3.000%	0	-	-	29,623	170	(29,793)	210,303	7,205,402	-	7,205,402	30,512	158	7,205,560	1000.0%	
2047	3.000%	0	-	-	16,614	88	(16,702)	215,913	7,404,613	-	7,404,613	14,567	73	7,404,686	1000.0%	
2048	3.000%	0	-	-	8,218	42	(8,260)	222,015	7,618,368	-	7,618,368	6,664	33	7,619,032	1000.0%	
2049	3.000%	0	-	-	3,819	19	(3,838)	228,494	7,843,024	-	7,843,024	2,988	13	7,845,012	1000.0%	
2050	3.000%	0	-	-	1,844	9	(1,853)	235,263	8,076,434	-	8,076,434	1,206	5	8,077,640	1000.0%	
2051	3.000%	0	-	-	831	3	(834)	242,281	8,317,881	-	8,317,881	399	2	8,318,280	1000.0%	
2052	3.000%	0	-	-	313	1	(314)	249,532	8,567,099	-	8,567,099	93	0	8,567,192	1000.0%	
2053	3.000%	0	-	-	63	0	(63)	257,012	8,824,048	-	8,824,048	32	0	8,824,080	1000.0%	
2054	3.000%	0	-	-	26	0	(26)	264,721	9,088,743	-	9,088,743	7	0	9,088,750	1000.0%	
2055	3.000%	0	-	-	7	0	(7)	272,662	9,361,398	-	9,361,398	-	-	9,361,398	0.0%	
2056	3.000%	0	-	-	-	0	(0)	-	-	-	-	-	-	-	-	-



SECTION D

ACTUARIAL METHODS AND ASSUMPTIONS

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 actuarial 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.

Measurement Date June 30, 2023

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, 2023, and prescribed to us by ISAC.)

Net Investment Return Rate

<u>Fiscal Year</u> <u>Ending 6/30</u>	<u>Net Investment Return Rate</u>
2024	5.000%
2025	4.714%
2026	4.429%
2027	4.143%
2028	3.857%
2029	3.571%
2030	3.286%
2031+	3.000%

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 5.00 percent in fiscal year 2024 grading down to 3.00 percent in 2031, on a select and ultimate basis, is reasonable for the purposes of measuring the Program's future obligations.



Actuarial Valuation Methods and Assumptions

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†
2023-2024 Weighted Tuition	\$4,410	\$11,514	\$14,829	\$12,349
2023-2024 Weighted Fees	545	4,159	4,860	4,336
2023-2024 Total WATF	4,955	15,673	19,689	16,685

†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.

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

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy
2023-2024 Total WATF	\$4,955	\$15,673	\$19,689	\$16,685
2022-2023 Total WATF	4,894	15,373	19,283	16,474
WATF Increase	1.25%	1.95%	2.11%	1.28%

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 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%



Actuarial Valuation Methods and Assumptions

Tuition and Fee Increase Assumption

Tuition and Fee Increase Assumption - June 30, 2023, Actuarial Valuation				
Effective Date	Community College	University	University Plus	Legacy
6/30/2023 and Beyond	4.25%	4.25%	4.25%	4.25%

First effective with the June 30, 2022 actuarial valuation 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
2023-2024 Weighted Tuition	\$4,410	\$11,514	\$14,829	\$12,349
2022-2023 Weighted Tuition	4,360	11,300	14,619	12,235
2021-2022 Weighted Tuition	4,281	11,123	14,074	11,914
2020-2021 Weighted Tuition	4,075	11,151	14,106	11,950
2019-2020 Weighted Tuition	4,012	11,025	13,885	11,805

Rates of Cancellation

These rates are used to measure the probability of eligible contract beneficiaries cancelling their contracts before and after their 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.



Actuarial Valuation Methods and Assumptions

Years from Projected College Entrance Year	Cancellation Rate	Years from Projected College Entrance Year	Cancellation Rate
-17	8.0%	-3	1.0%
-16	7.0%	-2	1.0%
-15	6.0%	-1	1.5%
-14	4.0%	0	1.5%
-13	4.0%	1	3.0%
-12	3.0%	2	3.0%
-11	3.0%	3	5.0%
-10	3.0%	4	5.0%
-9	2.0%	5	7.5%
-8	1.5%	6	7.5%
-7	1.5%	7	5.0%
-6	1.5%	8	5.0%
-5	1.5%	9	5.0%
-4	1.0%	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 Matriculation

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%

Actuarial Valuation Methods and Assumptions

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

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. Due to the fact that the College Illinois!® Prepaid Tuition Program is not accepting new contracts, marketing expenses are assumed to be \$0. Administrative expenses for FY 2024 are projected to equal actual 2023 expenses multiplied by the ratio of actual 2023 expenses to actual 2022 administrative expenses. Future year (for FY 2025 and later) administrative expenses are projected to then decline at the same rate the present value of benefits declines. The present value of future administrative expenses was determined to be equal to approximately 1.2 percent of the total liabilities.

Mortality and Disability

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

Liability Adjustment

The liabilities for contract beneficiaries assumed to use tuition benefits were adjusted to account for the provision that benefits shall never be less than the amount paid for the contract.



Actuarial Valuation Methods and Assumptions

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. (For contracts sold prior to October 2008, there was one type of University contract, which are currently referred to as Legacy contracts.)

From the College Illinois! Prepaid Tuition Program Student Handbook:

Choice 1 Community College Plan

Provides in-district tuition and mandatory fees for each semester (15 credit hours) purchased at an Illinois Community College.

Choice 2 University Plan

Provides undergraduate in-state tuition and mandatory fee coverage for each semester (15 credit hours) purchased at any of the following eligible institutions: Chicago State University, Eastern Illinois University, Governors State University, Illinois State University, Northeastern Illinois University, Northern Illinois University, Southern Illinois University Carbondale, Southern Illinois University Edwardsville, University of Illinois Chicago, University of Illinois Springfield, Western Illinois University.

Choice 3 University Plus Plan

Provides undergraduate in-state tuition and mandatory fee coverage for each semester (15 credit hours) purchased at the University of Illinois Urbana Champaign.

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.



Plan Provisions

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.



Plan Provisions

<i>G. Cancellation/Refunds</i>	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.)
<i>H. Death/Disability of Qualified Beneficiary</i>	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>I. Other Ancillary Benefits</i>	There are no ancillary benefits.
<i>J. Truth in Tuition</i>	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.
<i>K. New Contracts</i>	Effective as of the 2017/2018 period, CIPTP has not accepted new contracts.
<i>L. Extraordinary Contributions</i>	In fiscal year 2022, ISAC secured state funding that significantly addressed the College Illinois!® Prepaid Tuition Program unfunded liability. There were two State appropriations from the State's General Revenue Fund on behalf of fiscal year 2022 – one for \$20 million and a second appropriation of \$230 million that are reflected in the actuarial valuation as of June 30, 2022. (There was an additional State appropriation of \$30 million on behalf of fiscal year 2021.)
<i>M. Changes from Previous Valuation</i>	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

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, 2023, 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 March 13, 2024. That report contains an emphasis of matter paragraph which states "as discussed in Note 14, the amount of the net position in the Illinois Prepaid Tuition Program Fund 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 this matter.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting (internal control) 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on 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 no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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
March 13, 2024