STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
ILLINOIS PREPAID TUITION PROGRAM

FINANCIAL AUDIT

For the Year Ended June 30, 2021

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

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
ILLINOIS PREPAID TUITION PROGRAM

FINANCIAL AUDIT
For the Year Ended June 30, 2021

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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
ILLINOIS PREPAID TUITION PROGRAM
AGENCY OFFICIALS
For the Year Ended June 30, 2021

Commission Officials:

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

Governing Board:

Chairman	Kevin B. Huber
Vice Chair	Elizabeth V. Lopez
Commissioner	Niketa Brar
Commissioner	James A. Hibbert
Commissioner	Maureen Amos
Commissioner	Dr. Jonathan “Josh” Bullock
Commissioner	Franciene Sabens
Commissioner	Darryl Arrington
Commissioner	Thomas Dowling
Student Commissioner	Emma M. Johns

Commission Offices:

1755 Lake Cook Road
Deerfield, IL 60015-5209

500 West Monroe
Springfield, IL 62704

100 West Randolph
Suite 3-200
Chicago, IL 60601

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Illinois Prepaid Tuition Program (Program) of the State of Illinois, Illinois Student Assistance Commission (Commission) was performed by Crowe LLP.

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

EXIT CONFERENCE

In correspondence received from Shoba Nandhan, Chief Financial Officer, on May 2, 2022 the Commission elected to waive a formal exit conference.

Crowe LLP
Independent Member Crowe Global

Independent Auditor's Report

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

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

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Illinois Prepaid Tuition Program of the State of Illinois, Illinois Student Assistance Commission as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Illinois Prepaid Tuition Program of the State of Illinois, Illinois Student Assistance Commission's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Illinois Prepaid Tuition Program of the State of Illinois, Illinois Student Assistance Commission, as of June 30, 2021, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2, the financial statements present only the Illinois Prepaid Tuition Program, and do not purport to, and do not present fairly the financial position of the State of Illinois or the State of Illinois, Illinois Student Assistance Commission, as of June 30, 2021, and the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Notes 9 and 10, the Illinois Prepaid Tuition Program has a net position deficit as of June 30, 2021 of $216 million. The amount of the net position deficit is highly dependent on the actuarial assumptions used to calculate the actuarial present value of future tuition benefit obligations.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Illinois Prepaid Tuition Program of the State of Illinois, Illinois Student Assistance Commission. The Other Information, consisting of the actuarial soundness reports, are presented for purposes of additional analysis and are not a required part of the financial statements. The actuarial soundness reports have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2022, on our consideration of the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting of the Illinois Prepaid Tuition Program and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Illinois Student Assistance Commission's internal control over financial reporting of the Illinois Prepaid Tuition Program and its compliance.

SIGNED ORIGINAL ON FILE

Crowe LLP

Oak Brook, Illinois
May 23, 2022

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
ILLINOIS PREPAID TUITION PROGRAM
STATEMENT OF NET POSITION
June 30, 2021

ASSETS	
Current	
Cash and cash equivalents	$ 2,297,246
Investments	131,019,283
Receivables:	
Contracts receivable	3,774,429
Recoverable Taxes	24,686
Accrued interest on investments	70
Due from Other State Funds	30,000,000
Total current assets	167,115,714
Noncurrent	
Investments	395,962,041
Contracts receivable	8,040,048
Total non-current assets	404,002,089
Total assets	571,117,803
LIABILITIES	
Current	
Accounts payable and accrued expenses	937,924
Due to other ISAC funds	133,927
Due to State of Illinois component units	26,237
Tuition obligation	129,464,512
Total current liabilities	130,562,600
Noncurrent	
Tuition obligation	656,803,319
Total liabilities	787,365,919
Net position, unrestricted (deficit)	$ (216,248,116)

See notes to financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
ILLINOIS PREPAID TUITION PROGRAM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2021

Operating revenues:	
Income from investment securities (net of closed end funds investment management fees of $735,531 and performance allocation of $144,814; see Note 3)	$ 89,485,043
Interest revenue, other	19,211
Fees	201,609
Total operating revenues	89,705,863
Operating expenses:	
Salaries and employee benefits	1,599,649
Accreted tuition expense	8,801,914
Management and professional services	1,980,683
Investment management fees	345,292
Investment advisory fees	1,398,958
Total operating expenses	14,126,496
Operating gain	75,579,367
Transfer In from Other State Funds	30,000,000
Change in net position	105,579,367
Net position (deficit), July 1, 2020	(321,827,483)
Net position (deficit), June 30, 2021	$ (216,248,116)

See notes to financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
ILLINOIS PREPAID TUITION PROGRAM
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

Cash flows from operating activities	
Cash receipts from tuition contracts	$ 6,711,915
Cash received from fees	201,609
Cash paid for refund of contracts	(23,485,260)
Cash paid for tuition	(108,681,857)
Cash payments to suppliers for goods and services	(3,219,225)
Cash payments to employees for services	(1,599,649)
Net cash used by operating activities	(130,072,467)
Cash flows from investing activities	
Purchase of investment securities	(137,122,691)
Proceeds from sales and maturities of investment securities	258,904,181
Interest and dividends on investments	7,006,858
Cash paid to investment managers	(345,292)
Net cash provided by investing activities	128,443,056
Net decrease in cash and cash equivalents	(1,629,411)
Cash and cash equivalents, July 1, 2020	3,926,657
Cash and cash equivalents, June 30, 2021	$ 2,297,246
Reconciliation of operating gain to net cash used in operating activities	
Operating gain	$ 75,579,367
Adjustments to reconcile operating loss to net cash used by operating activities:	
Investment income and other interest income	(89,504,254)
Investment management fees	345,292
Investment advisory fees	1,398,958
Accreted tuition expense	8,801,914
Decrease in assets:	
Contracts receivable	5,180,703
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(984,415)
Due to other ISAC funds	(269,851)
Due to State of Illinois component units	15,724
Tuition obligation	(130,635,905)
Total adjustments	(205,651,834)
Net cash used by operating activities	$ (130,072,467)
Supplemental disclosure of noncash investing activities:	
Net appreciation in fair value of investments	$ 80,577,689

See notes to financial statements.

NOTE 1 - DESCRIPTION OF PROGRAM

The Illinois Student Assistance Commission (ISAC or Commission) administers the nonshared proprietary fund, Illinois Prepaid Tuition Program (*College Illinois!*® or Program) described below. A nonshared fund is a fund in which a single State agency is responsible for administering substantially all financial transactions of the fund.

Legislation authorizing ISAC to administer an Illinois Prepaid Tuition Program was passed in November 1997. 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 Fund (Fund) is a non-appropriated fund.

<u>Program Administration</u>: Oversight of the Program is provided by the Commission, an agency of the State of Illinois, which was established more than 50 years ago with the mission of helping to make college accessible and affordable for Illinois students. The agency is governed by the Commission, a board of ten persons (barring temporary vacancies) appointed by the Governor. The Commission 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 administrative powers include but are not limited to: adopting a sound Investment Policy; approving any changes to the investment manager structure; and monitoring and evaluating the investment performance of the Fund.

The Investment Committee (Committee) refers to a committee consisting of at least three members of the Commission with knowledge of investing. Investment Committee members shall be selected by the Chair of the Commission and approved by a vote of the Commission. The Investment Committee is generally responsible for monitoring Fund investments and performance to ensure compliance with the Investment Policy and making related recommendations to the Commission.

The Commission also appoints the members of the Investment Advisory Panel. The Panel consists of seven persons (barring temporary vacancies) with expertise in the areas of accounting, actuarial practice, risk management or investment management. It provides advice to the Commission on issues related to the Program's financial policies and practices and its investment strategy and asset allocation with the objective of obtaining the best possible return on investments, consistent with the actuarial soundness of the Program. The Investment Advisory Panel may also advise on other aspects of the Program.

The Program has been designed to comply with all requirements relating to qualified tuition programs under Section 529 of the Internal Revenue Code of 1986 and Illinois law.

The financial statements of the Program administered by ISAC 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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Program does not have component units, nor is it a component unit of any other entity. The Program is not legally separate from the State of Illinois; it is included in the financial statements of the State as a proprietary fund. The State of Illinois' 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.

The financial statements present only the Program administered by the State of Illinois, Illinois Student Assistance Commission (ISAC) and do not purport to, and do not, present fairly the financial position of the State of Illinois or ISAC as of June 30, 2021, and changes in their financial positions and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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.

Basis of Presentation: In government, the basic accounting and reporting entity is a fund. A fund is a self-balancing set of accounts segregated for specific purposes/activities generally in accordance with laws and regulations or specific restrictions or limitations on resource use. As a proprietary fund, a statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows have been presented for the Program administered by ISAC.

Operating revenues 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. Due to the nature of the Program activities, income from investments is considered an operating activity in the Statement of Revenues, Expenses, and Changes in Net Position. The Fund has one nonoperating activity related to a transfer.

Basis of Accounting: The Program is reported as an enterprise fund, 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. The fund accounts for resources received and used for financing self-supporting activities of the Program that offers services (prepaid tuition contracts) on a user-charge basis to the general public.

Cash and Cash Equivalents: Cash and cash equivalents consist principally of deposits held in the State Treasury. Cash and cash equivalents include cash on hand, cash in banks, interest bearing deposits with banks, and investments in the Illinois Fund.

Investments: The Program presents investments on its Statement of Net Position at fair value or amortized cost which approximates fair value – see Note 3 for information on the determination of fair value. The net appreciation or depreciation in the fair value of investments since the prior fiscal year (or purchase date for Fiscal Year 2021 purchases) is included in investment income in the Statement of Revenues, Expenses, and Changes in Net Position. Dividend and interest income are recorded in the period earned.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $11,814,477 as of June 30, 2021 using a 5.25% discount rate. The Program expects to receive contributions totaling $3,774,429 in Fiscal Year 2022. 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.

Interfund Transactions: The Program has the following type of interfund transactions with other funds of the State:

> *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.
>
> *Reimbursements*—repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund.
>
> *Transfers*—flows of assets (such as cash or goods) without equivalent flow of assets in return and without a requirement for repayment. Transfers are reported after nonoperating revenues and expenses.

Tuition Obligation: The tuition obligation in the Program represents the net contract amount for the 24,781 contracts held by the fund as of June 30, 2021, plus the actuarially-determined present value of future benefits the Program expects to provide to contract holders for all contracts.

Net Position (Deficit): 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. Net deficits however are categorized as unrestricted and represent the unfunded liability of the Program.

Use of Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows of resources, liabilities, deferred outflows 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 is derived entirely from payments received from contract purchasers and the investment income earned by the Fund. The Commission has obtained actuarial assistance in order to measure the Fund's obligations. The assets of the Fund are to be preserved, invested, and expended solely pursuant to and for the purposes of the Fund and may not be loaned or otherwise transferred or used by the State for any other purpose.

Coronavirus Implications: A novel strain of coronavirus has spread around the world, with resulting business and social disruption during Fiscal Year 2021. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS

Investment Authority and Legal Compliance: The State Treasury is the custodian of the State's cash and cash equivalents for the 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 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 investment 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 Illinois Prepaid Tuition 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 investment 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 Illinois 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.

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

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

In accordance with the 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 CIO, but is expected to provide an independent perspective to the Investment Committee and Commission.

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

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.

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.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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.

<u>Custodial Credit Risk - Deposits</u>: 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, 2021, the Program's deposits held outside the State Treasury were not exposed to custodial credit risk.

<u>Investments</u>: 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 2021.

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

The asset allocation targets are reviewed annually for reasonableness in relation to significant economic and market changes or to changes in the investment objectives. A formal asset allocation study is conducted as directed, but at least every three years, to verify or provide a basis for revising the targets. The asset allocation establishes target weights for each asset class and is designed to maximize the long-term expected return of the Program within an acceptable risk tolerance while providing liquidity to meet Program liabilities.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

		Rebalancing Range	
Asset Allocation	Policy Targets	Lower Limit	Upper Limit
U.S. equity	21.00%	17.00%	25.00%
Non-U.S. equity	21.00%	17.00%	25.00%
Fixed income	35.00%	31.00%	39.00%
High yield	5.00%	3.00%	7.00%
REIT	5.00%	3.00%	7.00%
Real estate	7.00%	N/A	N/A
Infrastructure	5.00%	N/A	N/A
Private equity	1.00%	N/A	N/A

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

The Target Index components are as follows.

Asset Class	Index	Weight
U.S. Equity	Russell 3000	21.00%
Non-U.S. Equity	MSCI ACWI xUS IMI	21.00%
Fixed Income	BC U.S. Aggregate	35.00%
High Yield	BofA MLHY Master II	5.00%
REIT	MSCI US REIT	5.00%
Real Estate	NCREIF ODCE	7.00%
Infrastructure	90-day T Bills +4%	5.00%
Private Equity	Russell 3000	1.00%
Cash	90-day T-Bills	0.00%

ISAC has established investment guidelines for the investment managers and conducts thorough due diligence before the appointment of all investment managers. ISAC has retained 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, Pinnacle Asset Management, Portfolio Advisors, RhumbLine Advisers, Security Capital Research and Management, State Street Global Advisors, T. Rowe Price Associates and The Rohatyn Group as investment managers to assist with the investment of the Program.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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, 2021, 17.8% of the funds were invested in Domestic Equities, 34.1% in Fixed Income,18.1% in International Equities, 5.2% in Infrastructure Funds, 5.0% in Absolute Return Funds, 1.7% in Private Equity Funds, 7.2% in Real Estate, 5.6% in Real Estate Investment Trust (REIT), 4.9% in High Yield, and 0.4% in cash and equivalents.

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

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

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

3. Money Market Instruments – amortized cost which approximates fair values;

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

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

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

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

The Program's investments in absolute return funds (funds of hedge funds) employ a broad range of diversifying investment strategies 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 $6.8 million to infrastructure funds as of June 30, 2021.

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.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The Program's cash and investments at June 30, 2021 are presented below by investment type and by investment manager:

Investment Managers
Asset Allocation at June 30, 2021

Asset Class	Investment Manager	Fair Value	Asset Allocation
All-cap core equity	Rhumbline Advisers	$ 94,072,259	17.77%
Total U.S. Equity		94,072,259	17.77%
International equity	Ativo	47,203,766	8.92%
International equity	Dimensional Fund Advisors	48,567,352	9.18%
International equity recoverable taxes	Northern Trust	24,686	0.00%
Total Non-U.S. equity		95,795,804	18.10%
Fixed income - Passive core	State Street Global Advisors	62,429,185	11.79%
Fixed income - Core Plus	T. Rowe Price	64,626,809	12.21%
Fixed income - U.S. Intermediate	Garcia Hamilton	53,101,793	10.03%
Total fixed income		180,157,787	34.04%
High yield	DDJ Strategic Income Plus	26,128,022	4.94%
Total high yield		26,128,022	4.94%
REIT Preferred Growth	Security Capital Research	29,326,332	5.54%
Total REIT		29,326,332	5.54%
Real estate - Private Equity	Lyrical - Antheus	38,193,196	7.22%
Total Real Estate		38,193,196	7.22%
Infrastructure-Diversified Value Add	Alinda Infrastructure	11,823,086	2.23%
Infrastructure-Asia Opportunities	The Rohatyn Group	15,688,948	2.96%
Total infrastructure		27,512,034	5.20%
Absolute return fund-Conservative	Neuberger Berman	25,197,526	4.76%
Absolute return fund-Commodities	Pinnacle Natural Resources	1,461,036	0.28%
Total Absolute Return Funds		26,658,562	5.04%
Private equity secondary FoFs	CM Growth Capital Partners LP	6,944,132	1.31%
Private equity secondary FoFs	Portfolio Advisors	2,217,881	0.42%
Total Private Equity		9,162,013	1.73%
Total investments		$ 527,006,010	99.57%
Cash and equivalents	Northern Trust	$ 1,478,969	0.28%
Cash and equivalents	Illinois Funds, Treasury and lock box	818,277	0.16%
Total cash and cash equivalents		2,297,246	0.43%
Total portfolio		$ 529,303,255	100.00%

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

For investment managers who invest moneys in publicly held securities the Program pays an investment management fee for investment management services. The investment management fee is based upon contractually agreed upon conditions and provisions. Investment management fees expense for investments in publicly held securities amounted to $345,292 for the year ended June 30, 2021 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 2021 amounts to $1,398,958.

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
- CM Growth Capital Partners
- Portfolio Advisors

Approximately $735,531 in investment advisory fees and $144,814 in performance allocation fees are included in the amount reported for income from investment securities for the Fiscal Year ending June 30, 2021 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)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The State Treasurer is the custodian of the State's cash and cash equivalents for the Program maintained in the State Treasury. Amounts on deposits in the custody of the State Treasurer totaled $714,054 at June 30, 2021. These deposits 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). Funds held by the State Treasurer have not been addressed as to custodial credit risk because the Program does not own individual securities. Funds held by the State Treasurer are not rated for credit risk and the interest rate risk cannot be determined because the weighted average maturity information for these amounts is not available for individual funds. Details on the nature of these deposits and investments, along with risk disclosures, are available within the State of Illinois' Comprehensive Annual Financial Report.

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 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	3.16 Years	N/A	4.18 Years
SSGA U.S. Aggregate Bond Index (common collective trust)	6.59 Years	6.58 Years	N/A
T. Rowe Price	6.59 Years	6.58 Years	N/A

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Portfolio Weighted Average Maturity

Portfolio Weighted Average
June 30, 2021

Investment Type	Fair Value	Weighted Average Maturity (in Years)
U.S. Treasury notes	$ 12,261,566	4.17
U.S. Treasury bonds	18,872,780	11.75
U.S. Agency obligations	974,881	0.64
Bond common collective trust	62,429,185	8.30
Municipal/provincial bonds	1,295,793	15.58
Non U.S. government bonds denominated in U.S. dollars	1,504,076	12.82
Non U.S. government bonds denominated in foreign currency	1,793,700	10.21
Multi-sector funds	34,815,432	8.99
Government agency short-term bills and notes	1,299,994	0.02
Corporate debt securities	14,357,129	3.37
Corporate asset-backed securities	5,380,907	15.77
Mortgage back securities (MBS):		
Government agencies	17,298,671	16.54
Non-government backed	3,949,679	36.60
Commercial	2,626,664	22.12
Total fair value	$ 178,860,458	
Portfolio weighted average maturity		9.98

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 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.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The following tables indicate credit ratings, as of June 30, 2021, for the Program's debt security investments (other than obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government which are not considered to have credit risk). Ratings for debt security investments that have multiple ratings are on the following page:

Credit Ratings (Excludes Multiple-Rated Securities)
June 30, 2021

	Total Fair Value	Moody's**
Money market mutual funds	$ 3,300,701	NR
Illinois Funds	100,906	NR
Bond common collective trust	62,429,185	NR
Multi-sector funds	34,815,432	NR
Government agencies short term bills and notes	1,299,994	Aaa
U.S. Agency obligations	974,881	Aaa

*NR - Not rated

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Ratings (Multiple-Rated Securities)
June 30, 2021

Rating Agency		Credit Rating	Total Fair Value
Moody's	Commercial Mortgage-Backed	Aaa	$ 206,446
	Commercial Mortgage-Backed	Aa	169,154
	Commercial Mortgage-Backed	A	470,566
	Commercial Mortgage-Backed	Ba	224,509
	Commercial Mortgage-Backed	Baa	328,433
	Commercial Mortgage-Backed	NR	1,227,556
			2,626,664
Moody's	Corporate Asset Backed Securities	Aaa	1,452,697
	Corporate Asset Backed Securities	Aa	375,259
	Corporate Asset Backed Securities	Baa	211,437
	Corporate Asset Backed Securities	NR	3,341,514
			5,380,907
Moody's	Corporate Bonds	A	11,406,764
	Corporate Bonds	Baa	1,448,433
	Corporate Bonds	NR	1,501,932
			14,357,129
Moody's	Municipal/Provincial Bonds	Aa	556,841
	Municipal/Provincial Bonds	A	124,123
	Municipal/Provincial Bonds	NR	614,829
			1,295,793
Moody's	Non-Government Backed C.M.O.s	Aaa	378,662
	Non-Government Backed C.M.O.s	Aa	395,153
	Non-Government Backed C.M.O.s	A	73,384
	Non-Government Backed C.M.O.s	NR	2,962,130
	Non-Government Backed C.M.O.s	WR	140,350
			3,949,679
Moody's	Non U.S. government bonds denominated in U.S. dollars	Aa	237,700
	Non U.S. government bonds denominated in U.S. dollars	A	212,321
	Non U.S. government bonds denominated in U.S. dollars	Baa	424,285
	Non U.S. government bonds denominated in U.S. dollars	Ba	418,365
	Non U.S. government bonds denominated in U.S. dollars	B	211,404
			1,504,076

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Ratings (Multiple-Rated Securities)
June 30, 2021

Rating Agency		Credit Rating	Total Fair Value
Moody's	Mortgage-backed securities, government agencies	A	$ 82,069
	Mortgage-backed securities, government agencies	Baa	148,405
	Mortgage-backed securities, government agencies	Ba	109,309
	Mortgage-backed securities, government agencies	NR	16,958,889
			17,298,671
Moody's	Non U.S. Government Bonds denominated in foreign currency	Baa	381,057
	Non U.S. Government Bonds denominated in foreign currency	Ba	620,993
	Non U.S. Government Bonds denominated in foreign currency	NR	791,651
			1,793,700

NR - not rated, WR withdrawn

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the 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 Program is not exposed to custodial credit risk at June 30, 2021.

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 Program's investment policy indicate:

- For fixed income managers no more than five percent 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, 2021, there were no investments subject to concentration of credit risk.

(Continued)

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 Program's investments in international equity are in compliance with the guidelines of the investment policy. As of June 30, 2021, 18.1% is invested in international equities all denominated in U.S. dollars.

Certain alternative investments also hold investments located outside of the United States. These investments denominated in U.S. dollars have underlying investments in other currencies including the Indian rupee. Fluctuations in foreign exchange rates between the U.S. dollar and other currencies could have an effect on the amounts realized in U.S. dollars involving these investments. The Program has the following investments denominated in foreign currency.

Investments Denominated in Foreign Currency
June 30, 2021
Fair Value in U.S. Dollars

Foreign Currency Denomination	Cash and Cash Equivalents	Fixed Income	Pending Trades Fixed Income Investments	Totals
Euro	$ 593	$ 1,172,707	$ (1,173,040)	$ 259
South African rand	-	620,993	(616,105)	4,888
Total	$ 593	$ 1,793,700	$ (1,789,146)	$ 5,147

(Continued)

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 pages 16-17); and leveling is not required for investments held at amortized cost. The Program has the following as of June 30, 2021:

Investments by fair value level	June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Leveling Not Required
Debt securities				
U.S. Treasury notes	$ 12,261,566	$ -	$ 12,261,566	$ -
U.S. Treasury bonds	18,872,780	-	18,872,780	-
U.S. agency obligations	974,881	-	974,881	-
Municipal/provincial debt	1,295,793	-	1,295,793	-
Corporate debt securities	14,357,129	-	14,357,129	-
Corporate asset-backed securities	5,380,907		5,380,907	-
Foreign government bonds denominated in U.S. dollars	1,504,076	-	1,504,076	-
Foreign debt securities (non U.S. government bonds denominated in foreign currency)	1,793,700		1,793,700	-
Government agency short-term bills and notes	1,299,994	-	1,299,994	-
Commercial mortgage backed	2,626,664	-	2,626,664	-
Government mortgage backed	17,298,671	-	17,298,671	-
Multi-sector funds	34,815,432	-	34,815,432	-
Common collective trust	62,429,185	-	62,429,185	-
Non government backed CMO	3,949,679	-	3,949,679	-
Corporate equity securities	94,072,259	94,072,259	-	-
Foreign equity securities	48,567,352	48,567,352	-	-
Money market mutual funds	3,300,701	-	-	3,300,701
Cash and pending trades	(570,926)	-	-	(570,926)
Cash and pending trades in foreign currency	46,523	-	-	46,523
Equity in public treasurer's investment pool (Illinois Funds)	100,906	-	-	100,906
Total investments by fair value level	$ 324,377,274	$ 142,639,612	$ 178,860,458	$ 2,877,204

Investments measured at the net asset value (NAV)	June 30, 2021
Real estate investment trust	$ 29,326,332
Real estate	38,193,196
Private equity	9,162,013
Infrastructure	27,512,034
Foreign equity	47,203,766
Absolute return	26,658,562
High yield fund	26,128,022
Total investment measured at the NAV	$ 204,183,925
Total investments measured at fair value or amortized cost	$ 528,561,199

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

	Fair Value	Unfunded Commitments	Redemption Frequency If Currently Eligible	Redemption Notice Period
Real estate investment trust	$ 29,326,332	$ -	Quarterly	30 days notice
Real estate	38,193,196	-	N/A	N/A
Private equity	9,162,013	313,571	N/A	N/A
Infrastructure	27,512,034	6,757,844	N/A	N/A
Foreign equity	47,203,766	-	Monthly	15 days notice
Absolute return	26,658,562	-	Annual	65 and 180 days notice
High yield fund	26,128,022	-	Quarterly	60 days notice
Total investments measured at NAV	$ 204,183,925	$ 7,071,415		

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

Real Estate: This type includes 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 10% within state Fiscal Year 2022.

Private Equity: This type includes two private equity funds. One holds portfolio securities. The second fund invests in a diversified portfolio of private equity limited partnerships purchased in the secondary market. The fair values of the investments in this type have been determined using the NAV per share of the Program's ownership investment in partners' capital. Private market investments are illiquid in nature. Distributions from each fund will be received as the underlying investments of the funds are liquidated by the general partner. It is expected that the underlying assets of the funds will be liquidated over the next three years with 0% to 25% (varies by investment manager) within state Fiscal Year 2022.

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 60% to 15% (varies by investment manager) within state Fiscal Year 2022.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Absolute Return: This type includes two absolute return funds of funds. One targets consistent, positive absolute returns with minimal beta to major equity and fixed income markets. The other is a multi-manager fund in the global commodity and commodity related markets. The fair values of the investments in this type have been determined using the NAV per share of the Program's ownership investment in partners' capital. Both have annual liquidity with quarterly liquidity available for a fee. Both have fund level gate thresholds of 20% to 25% of fund assets. Both will withhold a percentage pending the completion of the annual audit. One investment manager has only an audit holdback as of June 30, 2021 which was paid out in July 2021. The other fund is in the process of liquidating. Fifteen million was liquidated in August 2021 with the remainder expected in Fiscal Year 2022.

High Yield: This type seeks income and gains through trading and investing in securities. The fair value of the investment in this type has been determined using the NAV per share of the Program's ownership investment in partners' capital. Ninety percent of liquid securities are available within 30 days of quarter end with 60 days' notice prior to quarter end. Up to 25% of the fund may be invested in illiquid securities. Ten percent of any withdrawal may be held until 30 days following the annual audit. As of June 30, 2021, $10,127 was held in a liquidating account related to prior redemptions.

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

NOTE 4 - INTERFUND BALANCES AND ACTIVITY

As of June 30, 2021, the Program owed $133,927 to the Student Loan Operating Fund for expense reimbursements. In addition, the Program owed $26,236 to Illinois Universities for payment of tuition and fee benefits. During the year, $30 million was transferred in from General Revenue Fund as an intergovernmental payment.

NOTE 5 - PERSONNEL COST ALLOCATION

Based on a revised cost allocation policy, beginning in Fiscal Year 2013, all payroll-related costs are paid out of the Student Loan Operating Fund. This includes salary, benefits, and any vacation or sick payout should they be incurred. On a monthly basis, College Illinois is charged back for the related hours worked and costs incurred.

(Continued)

NOTE 6 - 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, 2021. See actuarial assumptions and additional information in Note 10.

Tuition obligation activity for the year ended June 30, 2021 is as follows:

Balance, July 1, 2020	$ 908,101,821
Add:	
Contributions received in FY 2021	6,711,916
Change in contracts receivable, at present value*	(5,180,703)
Adjust tuition obligation based on actuarial valuation	8,801,914
Less:	
Return of contributions	(23,485,260)
Tuition payments	(108,681,857)
Balance June 30, 2021**	$ 786,267,831
Reported as:	
Current	$ 129,464,512
Noncurrent	656,803,319
	$ 786,267,831

* See Note 10. Discount rate used in determining present value was 5.25%.

** The accreted tuition expense is calculated at least annually by the Commission's actuary and is an estimate based on the average increase in tuition for Illinois colleges. Accreted tuition expense is reflected as an expense in the Statement of Revenues, Expenses, and Changes in Net Position and as an increase (or decrease) to the tuition obligation on the Statement of Net Position.

NOTE 7 - PENSION PLAN

A majority of ISAC'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 pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined/benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for Fiscal Year 2021 are included in the State of Illinois' Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2021. The SERS issues a separate ACFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois 62794-9255.

(Continued)

NOTE 7 - PENSION PLAN (Continued)

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' ACFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Commission pays employer retirement contributions for the Program based upon an actuarially determined percentage of its payroll. For Fiscal Years 2021, 2020, and 2019, the employer contribution rate was 56.0%, 53.9%, and 51.6%, respectively. The required and actual contribution for Fiscal Years 2021, 2020, and 2019, was $321,096, $365,394, and $332,168, respectively. Contributions to SERS and the net pension liability related to the SERS pension plan are recorded by the Commission's Student Loan Operating Fund.

NOTE 8 - POST-EMPLOYMENT BENEFITS

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

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Annual Comprehensive Financial Report. The State finances the costs on a pay-as-you-go basis.

The total costs incurred and related liabilities for health, dental, vision, and life insurance benefits are not separated by department, fund or component unit for annuitants and their dependents nor active employees and their dependents.

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

(Continued)

NOTE 9 - FUND DEFICITS

As of June 30, 2021, the Program has a deficit in net position of $216,248,116. In addition to the $30 million transfer in from the General Revenue Fund in Fiscal Year 2021, the Program received a $20 million transfer in from the General Revenue Fund in Fiscal Year 2022. The table below details a reconciliation of the fund deficit in the financial statements to the fund deficit in the Actuarial Soundness Report as of June 30, 2021.

Unfunded liability per actuarial soundness report	$ (238,281,263)
Present value of accrued future administrative expense	23,131,164
Other accrued liabilities	(1,098,017)
Fund deficit per Statement of Net Position	$ (216,248,116)

NOTE 10 - PROGRAM RISKS AND ACTUARIAL DATA

The 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, 2021 to evaluate the financial viability of the Program as of June 30, 2021. The complete Actuarial Soundness Report as of June 30, 2021 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 2021/2022 enrollment period pending continuing discussion with policymakers to help define and advance proposals that will strengthen the Program. The Program continues to operate as usual with no change in benefits, customer service, or plan administration. Those with beneficiaries in college continue to see benefit payments paid as usual. The Program retains a substantial investment portfolio in a separate fund to pay obligation for a number of years without requiring funding from the state. Based on the current actuarial soundness report, funds would be sufficient to cover payments through Fiscal Year 2024 even if the program never sold another contract.

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

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

(Continued)

NOTE 10 - PROGRAM RISKS AND ACTUARIAL DATA (Continued)

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*	$ 786,267,831
Funded ratio	70.60%
Actuarial assumptions:	
Actuarial valuation date	June 30, 2021
Assumed net investment return	5.25% in FY 22 then grading down in annual increments of 0.450 to an ultimate investment rate of 3.00% for fiscal years on and after 2027
Rates of cancellation	Varies according to years from projected college entrance year
Tuition increase all contract types:	
All future years	4.50%

* For all existing contracts as of June 30, 2021

The actuarial present value of the future benefits obligation decreased by approximately $122 million compared to the balance reported at June 30, 2020. Contributing to the overall decrease was tuition paid.

NOTE 11 - 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 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, 2021.

NOTE 17 – SUBSEQUENT EVENT

The General Assembly passed a supplemental budget bill (P.A. 102-0698) in April 2022 which approved a transfer of $230,000,000 from the General Fund to College Illinois!. These funds will be used to essentially eliminate the College Illinois! Program's unfunded liability. The $230 million was deposited into the College Illinois! Fund 557 on April 25, 2022.

OTHER INFORMATION

College Illinois!® Prepaid Tuition Program

Actuarial Soundness Valuation Report as of June 30, 2021

P: 312.456.9800 | www.grsconsulting.com

October 14, 2021

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, 2021

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, 2021. 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, 2021.

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, 2021, 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, 2021, and does not reflect subsequent market volatility.

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

The actuarial soundness valuation results summarized in this report involve actuarial calculations that require assumptions about future events. Most of the actuarial assumptions used in this valuation were based on an experience review for the period from July 1, 2011 to June 30, 2014, and were adopted for use commencing with the June 30, 2015 actuarial valuation. The following changes to the actuarial assumptions were made beginning with the actuarial valuation as of June 30, 2021:

- The "select and ultimate" rate structure for the investment return assumption and related discount rate for liabilities was changed from an initial rate of 5.75 percent for fiscal year 2021 and grading down to the ultimate rate of 3.50 percent for fiscal years 2025 and after to an initial rate of 5.25 percent for fiscal year 2022 (compared to the expected rate of 5.187 percent under the previous assumption) and grading down to the ultimate rate of 3.00 percent for fiscal years 2027 and after. (The change in the fiscal year for which the ultimate rate first applies from 2025 to 2027 is based on the year in which additional funds will be required to maintain solvency. Favorable experience and a State appropriation from the General Revenue Fund of $30 million during fiscal year 2021 resulted in the change in the solvency year.)
- The tuition and fee increase assumption was decreased from 4.75 percent for all types of contracts to 4.50 percent for all types of contracts.

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

The College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period and is still not accepting new contracts for the 2021/2022 enrollment period. ISAC recently secured some state funding to start addressing the College Illinois!® Prepaid Tuition Program unfunded liability. There were two State appropriations from the State's General Revenue Fund – one for $30 million on behalf of fiscal year 2021 that is reflected in this actuarial valuation and a second appropriation of $20 million for fiscal year 2022 that will be reflected in the next actuarial valuation as of June 30, 2022. ISAC has informed us that they will continue to advocate for annual funding in future years until the full unfunded liability is addressed.

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 5.25 percent in fiscal year 2022 grading down to 3.00 percent in 2027, on a select and ultimate basis, is reasonable based on applicable Actuarial Standards of Practice.

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

We believe that the actuarial methods 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, 2021. All calculations have been made in conformity with generally accepted actuarial principles and practices commonly applicable to similar types of arrangements.

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

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation 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.

This report reflects the impact of COVID-19 through June 30, 2021. However, this report does not reflect the longer term and still developing future impact of COVID-19, which is likely to further influence demographic experience and economic expectations. We will continue to monitor these developments and their impact.

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

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

Respectfully submitted,

SIGNED ORIGINAL ON FILE	SIGNED ORIGINAL ON FILE
Lance J. Weiss, EA, MAAA, FCA	Amy Williams, ASA, MAAA, FCA
Senior Consultant and Team Leader	Senior Consultant

Table of Contents

SECTION A

EXECUTIVE SUMMARY

Summary of Results

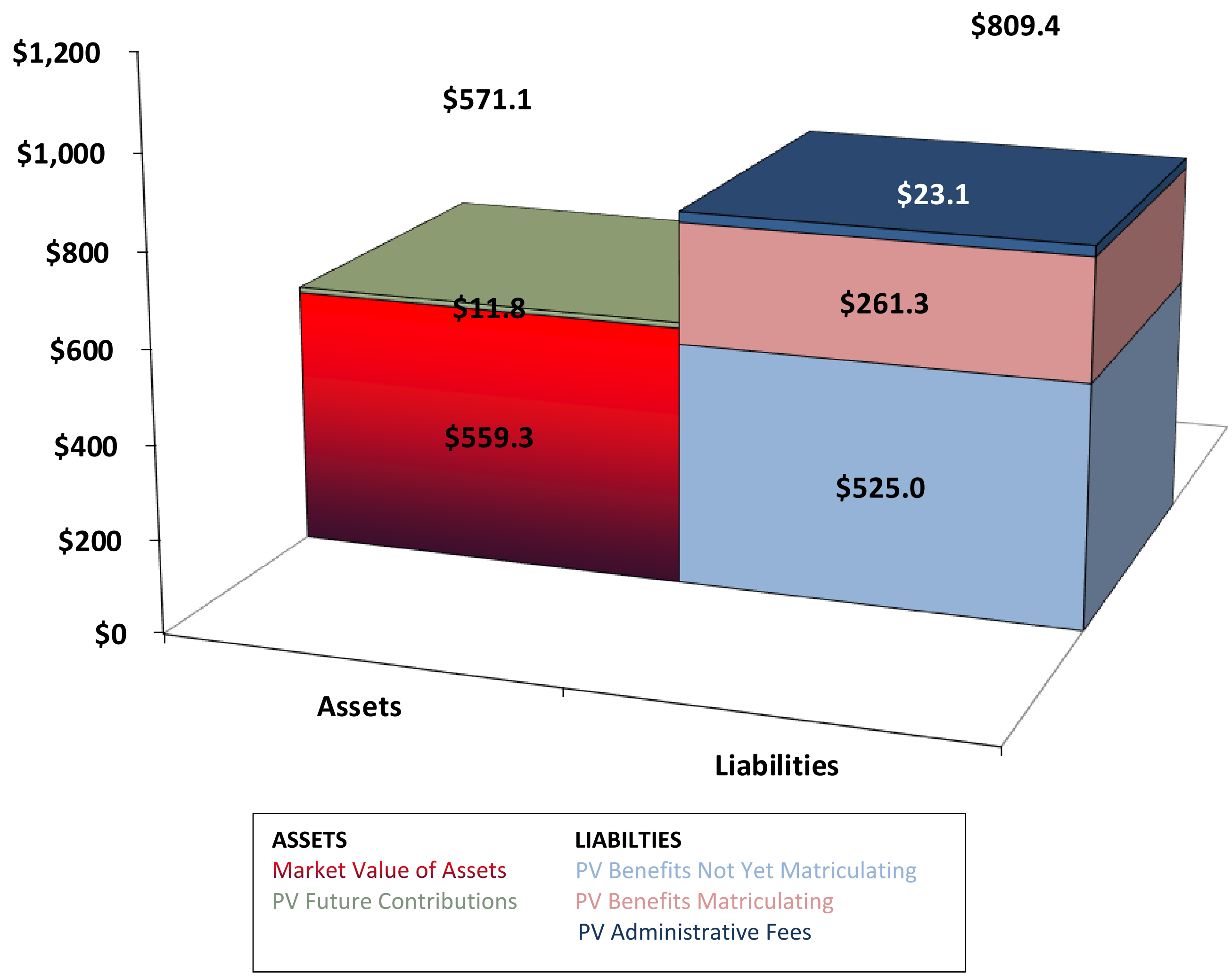
Principal Actuarial Soundness Valuation Results

Valuation Date:	June 30, 2021	June 30, 2020
Membership Summary:		
Counts		
Not Yet Matriculating	13,164	15,693
Matriculating[a]	11,617	12,355
Total	24,781	28,048
Average years until Enrollment if Not Yet Matriculating	2.8	3.2
Assets[b]		
· Actuarial Value of Assets (AVA)	$571,117,732	$588,608,378
· Estimated Return	17.3%	1.3%
Actuarial Liabilities (Present Value of Future Tuition Payments, Fees and Administrative Expenses)	$809,398,995	$928,920,938
Unfunded Liabilities	$238,281,263	$340,312,560
Funded Ratio	70.6%	63.4%

[a] *Counts include 5,483 contracts in 2021 and 5,060 contracts in 2020 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, 2021
$ in Millions



Numbers may not add due to rounding.

Summary of Results

Funded Status as of June 30, 2021

	June 30, 2021
Actuarial Present Value of Future Tuition Payments, Fees and Expenses	$809,398,995
Actuarial Value of Assets (Including the Present Value of Installment Contract Receivables)	$571,117,732
Deficit/(Surplus) as of June 30, 2021	$238,281,263

Gain/Loss Summary

	Unfunded Liability
Value at June 30, 2020	$ 340,312,560
Expected Value at June 30, 2021	$ 359,880,533
(Gain)/Loss Due to:	
Investment Experience	$ (58,571,581)
Due from Other State Funds	(30,000,000)
Change in Assumptions and Methods	(5,170,637)
Tuition/Fee Inflation	(26,860,166)
Other Demographic Experience*	(996,886)
Total	$ (121,599,270)
Actual Value at June 30, 2021	$ 238,281,263

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

The change in actuarial assumptions includes the change in the investment return assumption, the change in the tuition and fee increase assumption and the impact on the liabilities of the ultimate investment return assumption being first used in fiscal year 2027 compared to fiscal year 2025. (Favorable experience and State appropriations during fiscal year 2021 delayed the year in which additional solvency contributions are projected to be needed.)

Additional Details on the development of the Expected Value at June 30, 2021, 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, 2021.

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, 2021, and compare such liabilities with the value of the assets associated with the program as of that same date;
- Illustrate results under sensitivity scenarios; and
- Analyze the factors which caused the deficit/surplus to change since the prior actuarial valuation.

This report summarizes those results and also illustrates the sensitivity of the deficit/surplus to changes in the rate of tuition and fee increases as well as the rate of investment return on assets.

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

Background

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

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

The first CIPTP contracts were offered for sale in 1998. As of June 30, 2021, the CIPTP had 24,781 contracts included in the actuarial valuation.

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 2021/2022 enrollment period. ISAC recently secured some state funding to start addressing the College Illinois!® Prepaid Tuition Program unfunded liability. There were two State appropriations from the State's General Revenue Fund – one for $30 million on behalf of fiscal year 2021 that is reflected in this actuarial valuation and a second appropriation of $20 million for fiscal year 2022 that will be reflected in the next actuarial valuation as of June 30, 2022. ISAC has informed us that they will continue to advocate for annual funding in future years until the full unfunded liability is addressed.

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 used in this actuarial soundness valuation were based on an experience review for the period from July 1, 2011 to June 30, 2014, and were approved and adopted for use commencing with the June 30, 2015 actuarial soundness valuation by ISAC. These actuarial assumptions are the responsibility of ISAC.

Changes in Actuarial Assumptions since Prior Valuation

The net investment return assumption under the "select and ultimate" rate structure was changed from an initial rate of 5.75 percent for fiscal year 2021 grading down to the ultimate rate of 3.50 percent in fiscal years on and after 2025 (in 0.563 percent annual increments) to an initial rate of 5.25 percent for fiscal year 2022 grading down to the ultimate rate of 3.00 percent in fiscal years on and after 2027 (in 0.450 percent annual increments). The change in the fiscal year for which the ultimate rate first applies from 2025 to 2027 is based on the year in which additional funds will be required to maintain solvency. Favorable experience and a State appropriation from the General Revenue Fund of $30 million during fiscal year 2021 resulted in the change in the solvency year.

Considering the current asset allocation, current and future liquidity requirements, and the fact that the program enrollment is on hold (and has been since the 2017/2018 enrollment period), we believe the net select and ultimate investment rate of return assumption being used in the June 30, 2021 actuarial soundness valuation is reasonable, based on applicable Actuarial Standards of Practice.

In addition, the tuition and fee increase assumption was decreased from 4.75 percent for all contract types to 4.50 percent for all contract types.

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, 2021

As of June 30, 2021, the present value of all future tuition obligations under contracts outstanding (and including future administrative expenses) is $809,398,995. The value of fund assets as of June 30, 2021, including the market value of program assets and the present value of installment contract receivables, is $571,117,732. The value of fund assets as of June 30, 2021 includes the $30 million fiscal year 2021 State appropriation from the General Revenue Fund. However, it does not include the additional appropriation of $20 million for fiscal year 2022.

The difference between the present value of future tuition obligations and the value of assets as of June 30, 2021, represents a program deficit of $238,281,263. The comparable program deficit as of the last actuarial soundness valuation as of June 30, 2020, was $340,312,560. This represents a decrease in the deficit of $102,031,297.

Discussion

Gain/Loss Analysis

As described above, the program deficit decreased from $340.3 million as of June 30, 2020, to $238.3 million as of June 30, 2021. Based on the actuarial assumptions used during the June 30, 2020 actuarial soundness valuation and actual tuition payments, refunds and fees, the deficit was expected to increase to $359.9 million. The primary factor which caused the deficit to decrease by $121.6 million compared to the expected deficit was gains due to actual investment returns that were more than expected (an actual rate of return more than the assumption of 5.75 percent used in the last actuarial valuation). This also contributed to the ultimate investment return rate being pushed forward two years from 2025 to 2027, which decreased the deficit. In addition to the investment return gain, the program deficit decreased due to (1) a $30 million State appropriation from the General Revenue Fund during fiscal year 2021, (2) assumption changes including the decrease to the tuition and fee increase assumption, (3) tuition and fee increases that were less than expected (increases that were lower than the assumption of 4.75 percent used in the last actuarial valuation) and (4) other demographic experience (which includes deviations in actual contract beneficiary experience from our assumptions related to rates of enrollment and utilization of benefits and contract terminations and refunds).

The funded ratio increased from 63.4 percent as of June 30, 2020, to 70.6 percent as of June 30, 2021.

Benefit Provisions

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

We understand there were no changes in the program provisions since the last actuarial soundness valuation as of June 30, 2020.

Assets

CIPTP assets are held in trust. ISAC provided the asset information used in the June 30, 2021 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 17.3 percent for the year ended June 30, 2021.

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 during the 2017/2018, the 2018/2019, 2019/2020, and the 2020/2021 enrollment periods.

Projection Scenarios

Full projection scenarios are included in a separate report.

The College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period and is still not accepting new contracts for the 2021/2022 enrollment period. While the closing of the CIPTP has not occurred, we have completed a projection assuming that the program continues to operate but with no new contract sales after June 30, 2021. Based on an investment return assumption that grades down from 5.25 percent for the 2022 fiscal year to 3.00 percent for the 2027 fiscal year, current Trust assets including future payments from current contract holders, an additional State appropriation of $20 million during fiscal year 2022 and future investment income are projected to be insufficient by the year 2027 to make the required tuition payments and additional funds will be required to maintain solvency. The results of this "closed group" projection are included in a separate report.

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

Disclosure

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

SECTION B

ACTUARIAL SOUNDNESS VALUATION RESULTS

Exhibit I
Principal Actuarial Soundness Valuation Results

Valuation Date:	June 30, 2021	June 30, 2020
1. Number of Members		
a. Not Yet Matriculating:	13,164	15,693
b. Matriculating[a]:	11,617	12,355
c. Total	24,781	28,048
Average Years until Enrollment if Not Yet Matriculating	2.8	3.2
2. Assets		
a. Market Value of Assets (in Trust)	$ 559,303,255	$ 571,613,198
b. PV Future Member Contributions	11,814,477	16,995,180
c. Total Actuarial Value of Assets (AVA) (2a + 2b)	$ 571,117,732	$ 588,608,378
3. Actuarial Results		
Liabilities		
a. Not yet Matriculating - Tuition and Fees	$ 524,971,041	$ 630,885,129
b. Matriculating - Tuition and Fees	261,296,790	277,216,693
c. Present Value of Future Administrative Expenses	23,131,164	20,819,116
d. Total	$ 809,398,995	$ 928,920,938
Unfunded Liability	$ 238,281,263	$ 340,312,560
Funded Ratio	70.6%	63.4%

[a] *Counts include 5,483 contracts in 2021 and 5,060 contracts in 2020 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, 2021	June 30, 2020
1. Assets		
a. Market Value of Assets (in Trust)	$ 559,303,255	$ 571,613,198
b. PV Future Member Contributions (Short Term)[a]	3,774,429	4,953,206
c. PV Future Member Contributions (Long Term)[b]	8,040,048	12,041,974
d. Total Market Value of Assets (MVA)	$ 571,117,732	$ 588,608,378
2. Actuarial Present Value of Tuition, Fees and Admin Expenses		
a. Short Term[a]	$ 129,464,512	$ 140,781,833
b. Long Term[b]	679,934,483	788,139,105
c. Total	$ 809,398,995	$ 928,920,938
Unfunded Liability (Surplus)	$ 238,281,263	$ 340,312,560
Funded Ratio	70.6%	63.4%

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

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

Exhibit II
(Gain)/Loss Summary

	Present Value of Benefits	Plan Assets[a]	Unfunded Liability
1. Values at June 30, 2020	$ 928,920,938	$ 588,608,378	$ 340,312,560
2. Actual Tuition Payments, Refunds and Administrative Expenses	$ (136,975,778)	$ (136,975,778)	$ -
3. Interest on 1. and 2. at 5.75%	$ 49,529,939	$ 29,961,966	$ 19,567,973
4. New Contracts	$ -	$ -	$ -
5. Projected Values at June 30, 2021 (1. + 2. + 3. + 4.)	$ 841,475,099	$ 481,594,566	$ 359,880,533
6. (Gain)/Loss Due to:			
Investment Experience	$ -	$ (58,571,581)	$ (58,571,581)
Due from Other State Funds	-	(30,000,000)	(30,000,000)
Change in Assumptions and Methods	(5,194,996)	24,359	(5,170,637)
Tuition/Fee Inflation	(26,860,166)	-	(26,860,166)
Other Demographic Experience[b]	(20,942)	(975,944)	(996,886)
Total	$ (32,076,104)	$ (89,523,166)	$ (121,599,270)
7. Actual Values at June 30, 2021 (5. + 6.)	$ 809,398,995	$ 571,117,732	$ 238,281,263

[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, 2021, are equal to (5.-6.) which is the projected value minus the (gain)/loss total.*

[b] *Other Demographic Experience includes deviations in actual contract beneficiary experience from the assumptions related to rates of enrollment and utilization of benefits and contract terminations and refunds. Other Demographic Experience for Plan Assets is the change in the present value of expected future contract payments from current contract holders.*

Exhibit III
(Gain)/Loss History

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	Total 5-Year Change
Unfunded Liability at Prior Valuation Date	$ 264,313,965	$ 320,237,004	$ 307,711,673	$ 317,491,361	$ 340,312,560	
Projected Unfunded Liability at Valuation Date	$ 278,495,729	$ 341,052,409	$ 326,943,653	$ 336,540,843	$ 359,880,533	
(Gain)/Loss Due to:						
Investment Experience	$ (4,435,878)	$ 7,573,155	$ 15,885,182	$ 29,831,698	$ (58,571,581)	$ (9,717,424)
Due from Other State Funds	-	-	-	-	(30,000,000)	(30,000,000)
Change in Assumptions	78,869,711	(4,384,888)	(4,317,928)	2,020,837	(5,170,637)	67,017,095
Tuition/Fee Inflation	(31,916,630)	(25,580,322)	(16,543,198)	(17,329,898)	(26,860,166)	(118,230,214)
Other Demographic Experience	(775,927)	(10,948,681)	(4,476,348)	(10,750,920)	(996,886)	(27,948,762)
Total	$ 41,741,276	$ (33,340,736)	$ (9,452,292)	$ 3,771,717	$ (121,599,270)	$ (118,879,305)
Unfunded Liability at Valuation Date	$ 320,237,004	$ 307,711,673	$ 317,491,361	$ 340,312,560	$ 238,281,263	

Changes in Actuarial Assumptions

June 30, 2017	*Decrease in the investment return assumption from a flat rate of 6.75 percent to a select and ultimate rate structure with an initial rate of 6.50 percent, grading down in annual increments of 0.393 percent to an ultimate investment return rate of 3.75 percent. Change in the calculation of the total administrative expenses related to marketing from an assumption of 12 percent of total administrative expenses to actual marketing expenses in the prior fiscal year (which affects the present value of future administrative expenses for current contract beneficiaries).*
June 30, 2018	*The select and ultimate rate structure was changed from an initial rate of 6.50 percent for fiscal year 2018, grading down in annual increments of 0.393 percent to the ultimate rate of 3.75 percent in fiscal years on and after 2025 to an initial rate of 6.25 percent for fiscal year 2019, grading down in annual increments of 0.357 percent to the ultimate rate of 3.75 percent in fiscal years on and after 2026.*
June 30, 2019	*The select and ultimate rate structure was changed from an initial rate of 6.25 percent for fiscal year 2019, grading down in annual increments of 0.357 percent to the ultimate rate of 3.75 percent in fiscal years on and after 2026 to an initial rate of 6.00 percent for fiscal year 2020, grading down in annual increments of 0.417 percent to the ultimate rate of 3.50 percent in fiscal years on and after 2026. The tuition and fee increase assumption was decreased from a flat rate of 5.00 percent to a flat rate of 4.75 percent for all future years.*
June 30, 2020	*The select and ultimate rate structure was changed from an initial rate of 6.00 percent for fiscal year 2020, grading down in annual increments of 0.417 percent to the ultimate rate of 3.50 percent in fiscal years on and after 2026 to an initial rate of 5.75 percent for fiscal year 2021, grading down in annual increments of 0.563 percent to the ultimate rate of 3.50 percent in fiscal years on and after 2025.*
June 30, 2021	*The select and ultimate rate structure was changed from 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 to 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. The tuition and fee increase assumption was decreased from a flat rate of 4.75 percent to a flat rate of 4.50 percent 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 5.25 percent in Fiscal Year 2022 graded down in yearly increments to 3.00 percent on and after Fiscal Year 2027, 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 (5.50%/3.50% compared to 4.50%) in each future year than assumed in the baseline valuation (measurement of soundness).
2. Fee increases are 100 basis points higher/lower (5.50%/3.50% compared to 4.50%) in each future year than assumed in the baseline valuation (measurement of soundness).
3. The investment return is 50 basis points higher/lower (5.75% initial and 3.50% ultimate/4.75% initial and 2.50% ultimate compared to 5.25% 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 Increases 100 Basis Points	Assumed Tuition Decreases 100 Basis Points	Assumed Fee Increases 100 Basis Points	Assumed Fee Decreases 100 Basis Points	Assumed Investment Return Increases 50 Basis Points	Assumed Investment Return Decreases 50 Basis Points
1. Assets							
a. Market Value of Assets (in Trust)	$559.3	$559.3	$559.3	$559.3	$559.3	$559.3	$559.3
b. PV Future Member Contributions	11.8	11.8	11.8	11.8	11.8	11.7	12.0
c. Total Actuarial Value of Assets (AVA) (2a + 2b)	$571.1	$571.1	$571.1	$571.1	$571.1	$571.0	$571.3
2. Actuarial Results							
Liabilities							
a. Not yet Matriculating - Tuition and Fees	$525.0	$536.5	$514.0	$531.6	$518.8	$511.6	$538.9
b. Matriculating - Tuition and Fees	261.3	263.3	259.3	262.4	260.2	258.7	263.9
c. Present Value of Future Administrative Expenses	23.1	23.1	23.1	23.1	23.1	22.7	23.6
d. Total	$809.4	$822.9	$796.4	$817.1	$802.1	$793.0	$826.4
Unfunded Liability	$238.3	$251.8	$225.3	$246.0	$231.0	$222.0	$255.1
Funded Ratio	70.6%	69.4%	71.7%	69.9%	71.2%	72.0%	69.1%
Difference from Current Assumptions							
Unfunded Liability	$0.0	$13.5	-$13.0	$7.7	-$7.3	-$16.3	$16.8
Funded Ratio	0.0%	-1.2%	1.1%	-0.7%	0.6%	1.4%	-1.5%

In all scenarios, trust assets are projected to be depleted in year 2027.

SECTION C

FUND ASSETS

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

College Illinois!® Prepaid Tuition Program

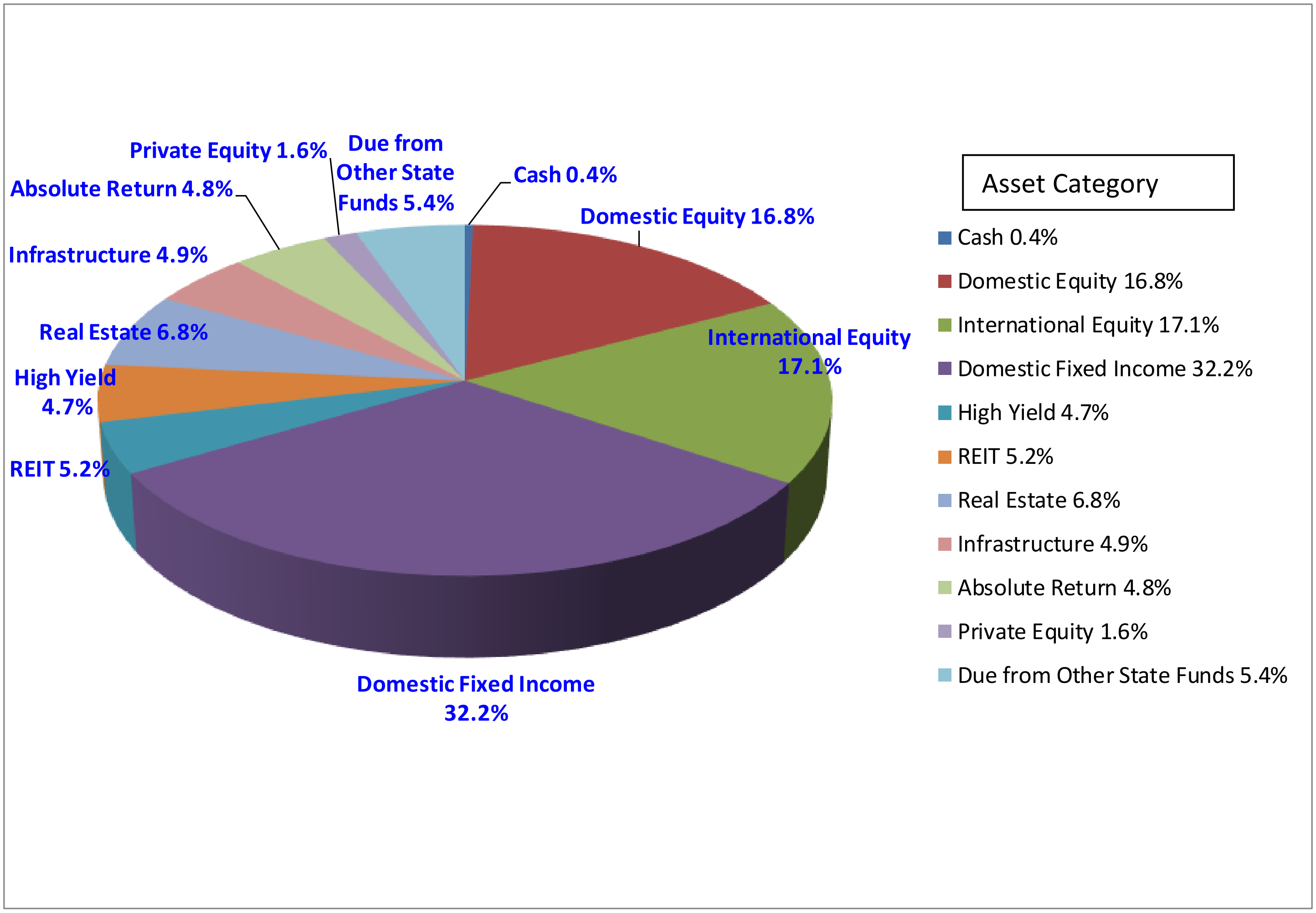
Statement of Plan Net Assets

Year ended June 30, 2021

			% of Total
Cash	$	2,297,246	0.4%
Investments			
Domestic Equity	$	94,072,259	16.8%
International Equity		95,795,804	17.1%
Domestic Fixed Income		180,157,787	32.2%
High Yield		26,128,022	4.7%
REIT		29,326,332	5.2%
Real Estate		38,193,196	6.8%
Infrastructure		27,512,034	4.9%
Absolute Return		26,658,562	4.8%
Private Equity		9,162,013	1.6%
Total Investments	$	527,006,010	94.2%
Due from Other State Funds	$	30,000,000	5.4%
Total Assets	$	559,303,255	100.0%

Numbers may not add due to rounding.

Allocation of Assets at June 30, 2021



Reconciliation of Market Value of Plan Assets

College Illinois!® Prepaid Tuition Program

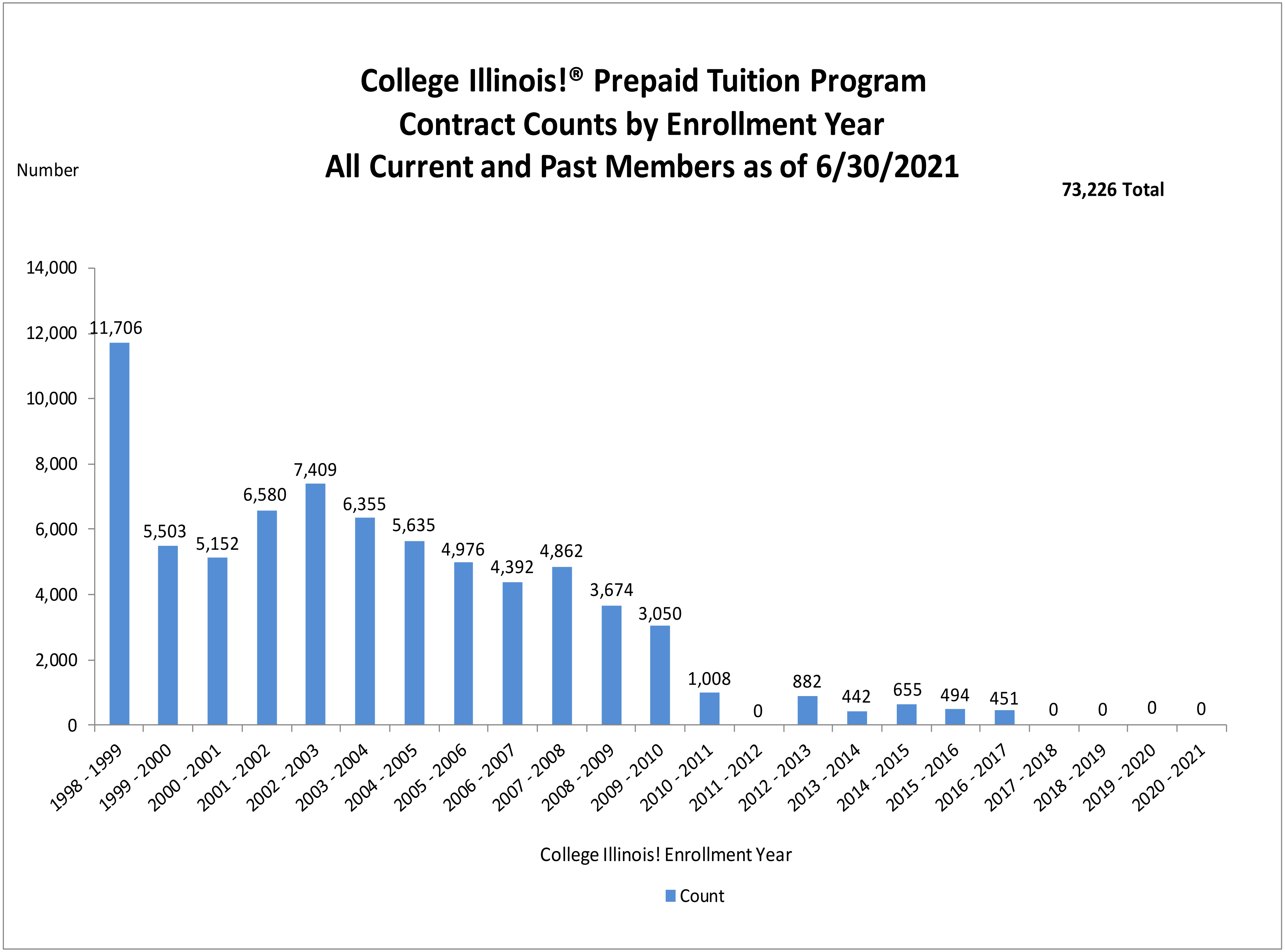
Statement of Changes in Plan Net Assets

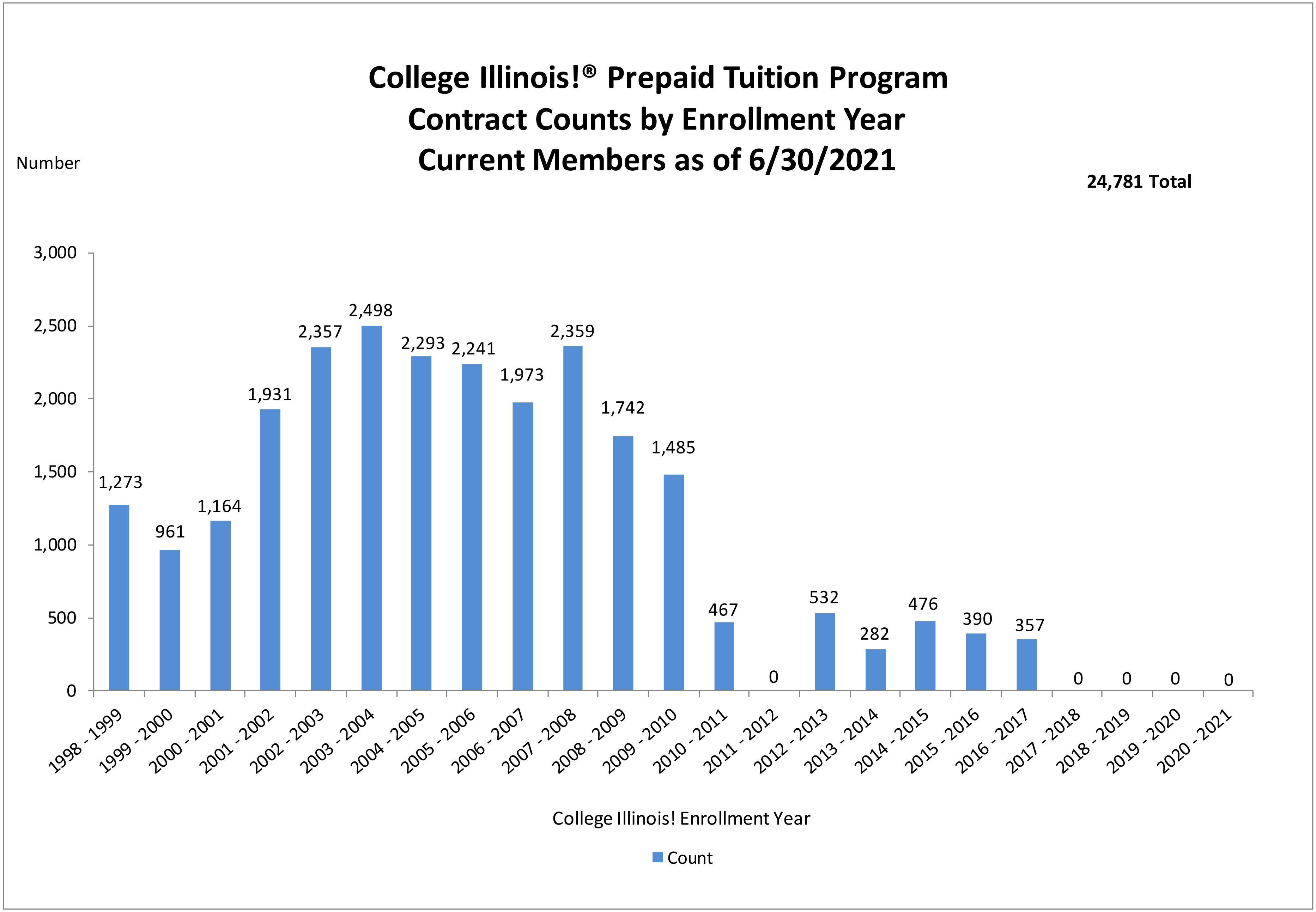
Twelve-Month Period ended June 30, 2021

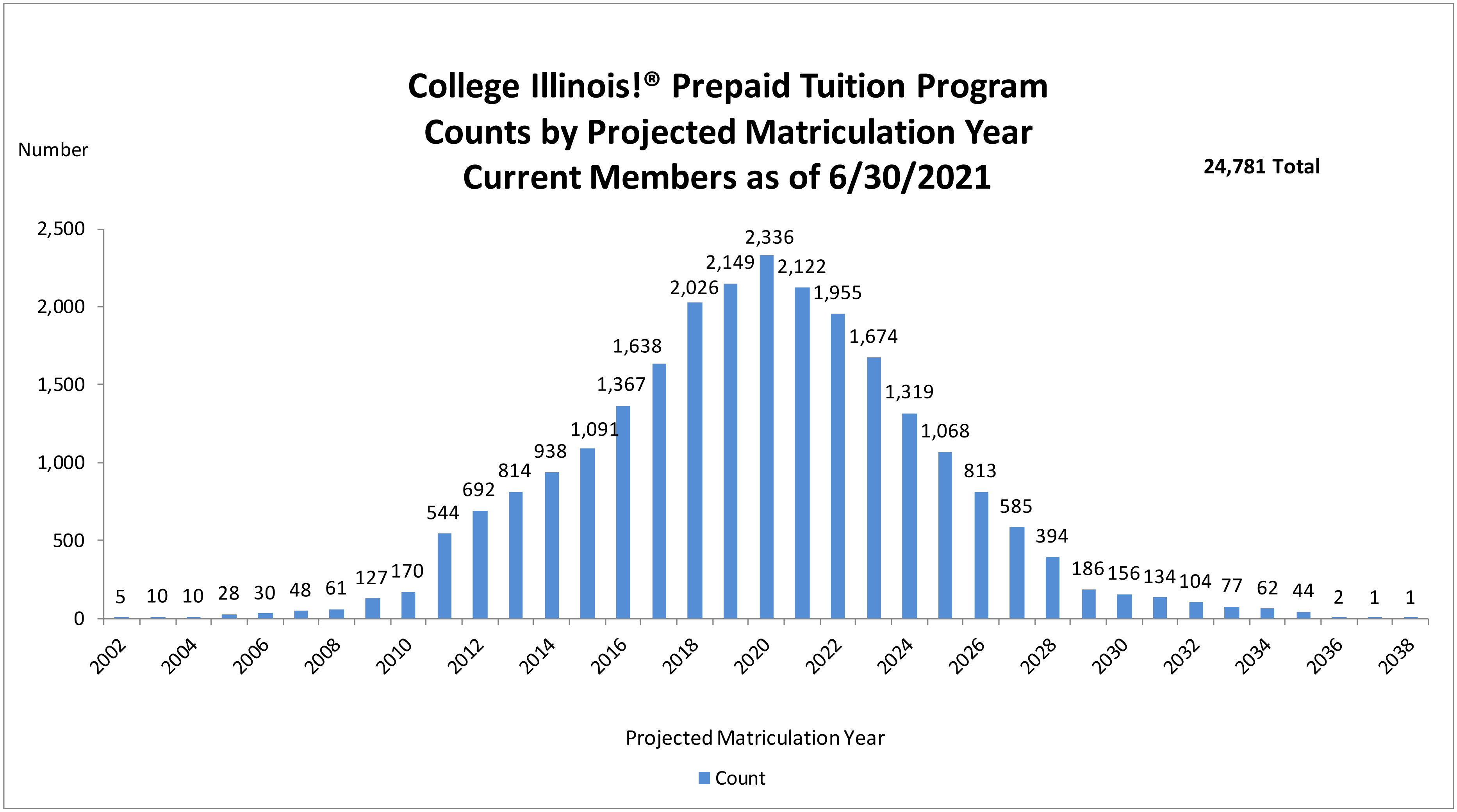
Beginning of Period		7/1/2020
End of Period		6/30/2021
Additions:		
Contributions Received and Contract Fees	$	6,913,524
Gross investment income		7,520,012
Realized/Unrealized investment gains/(losses)		81,986,762
Due from Other State Funds		30,000,000
Total Additions	$	126,420,299
Deductions:		
Tuition payments	$	108,611,402
Refunds to Purchasers		24,367,018
Investment expenses & advisory fees		1,754,464
Administrative expenses		3,997,358
Total Deductions	$	138,730,242
Net increase/(decrease)	$	(12,309,943)
Market Value of Assets:		
Beginning of period	$	571,613,198
End of period (6/30/2021)	$	559,303,255
Present Value of Future Contributions by Current Contract Holders		11,814,477
Market Value of Total Fund Assets as of June 30, 2021	$	571,117,732

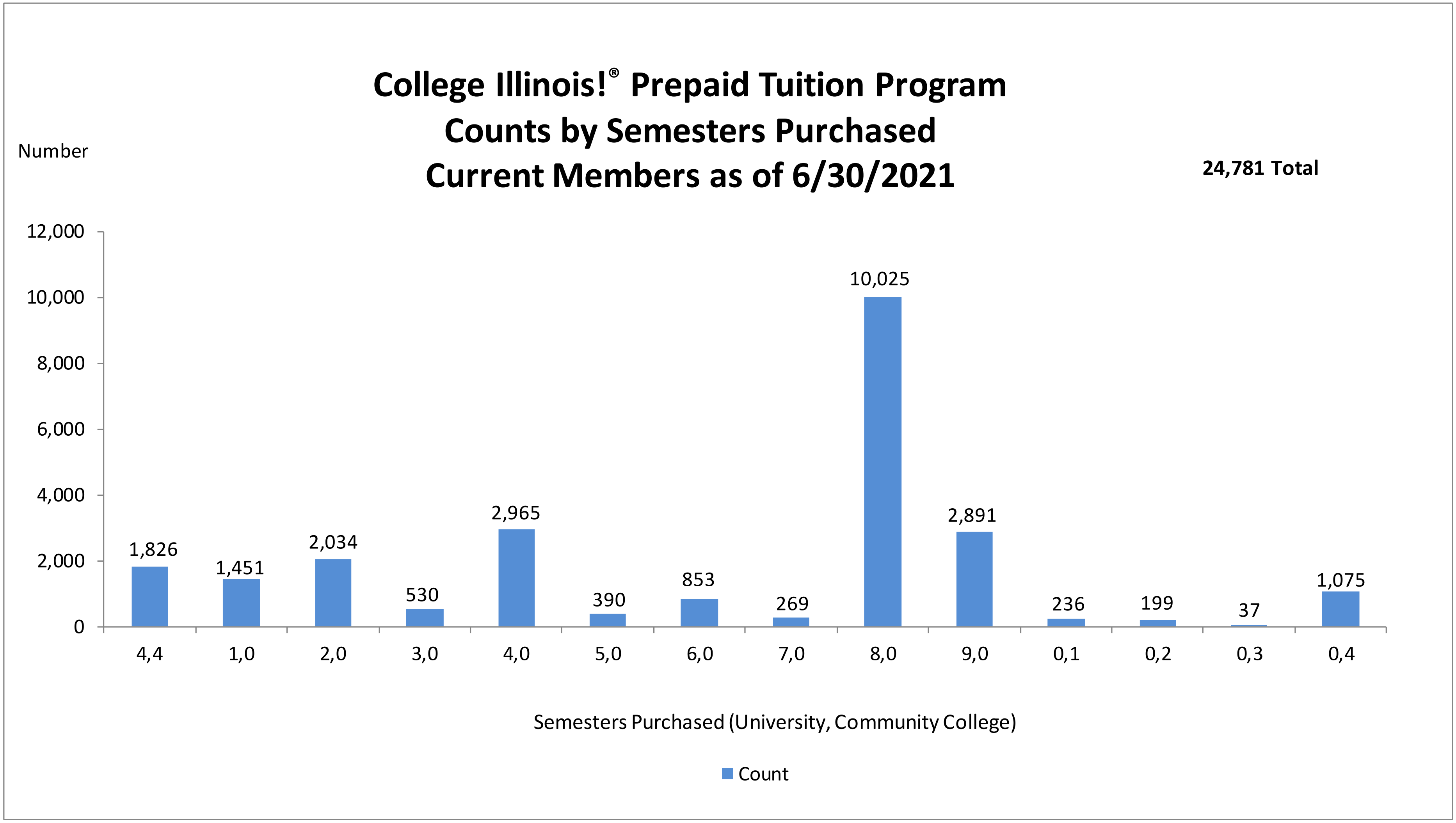
SECTION D

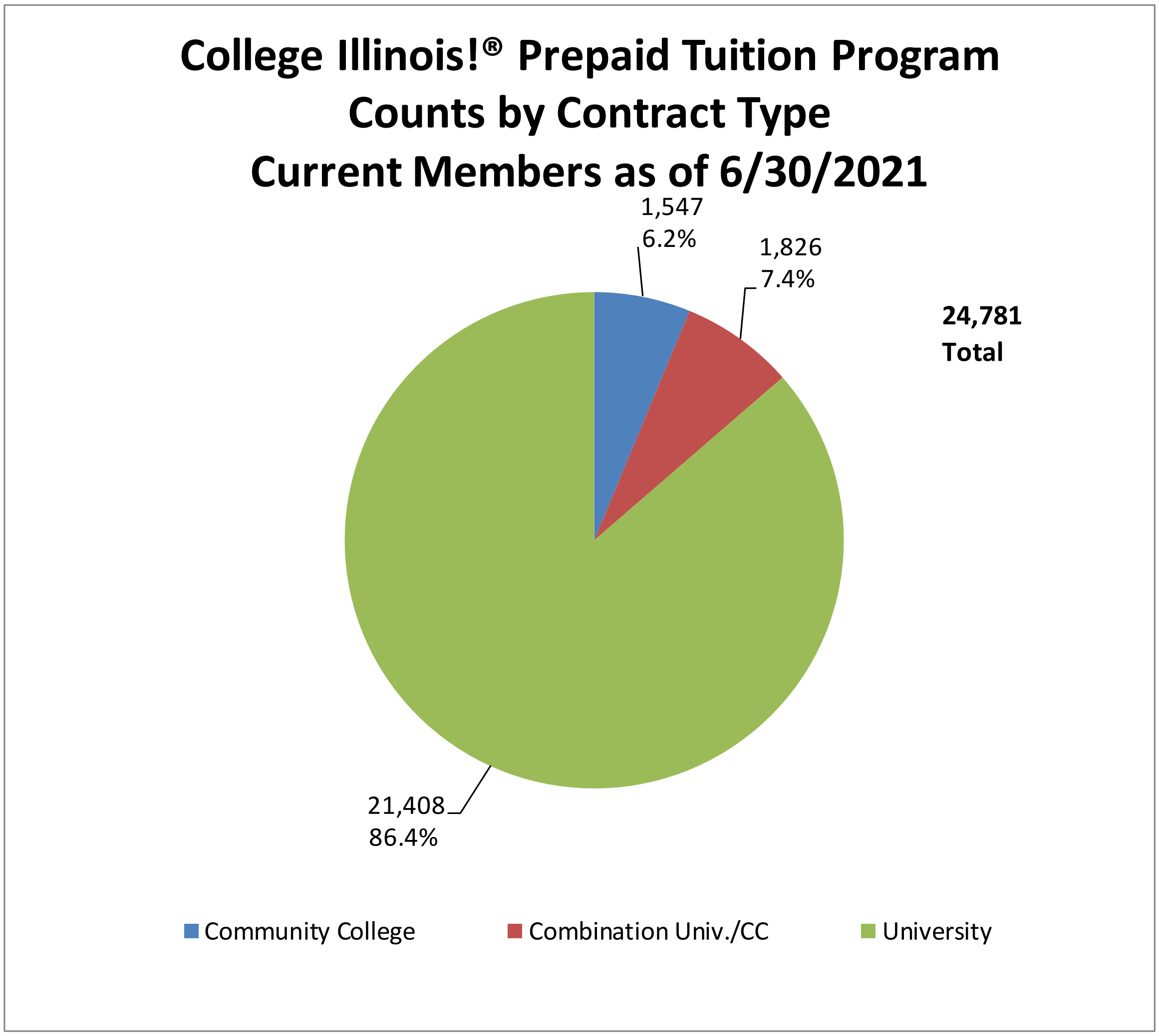
PARTICIPANT DATA

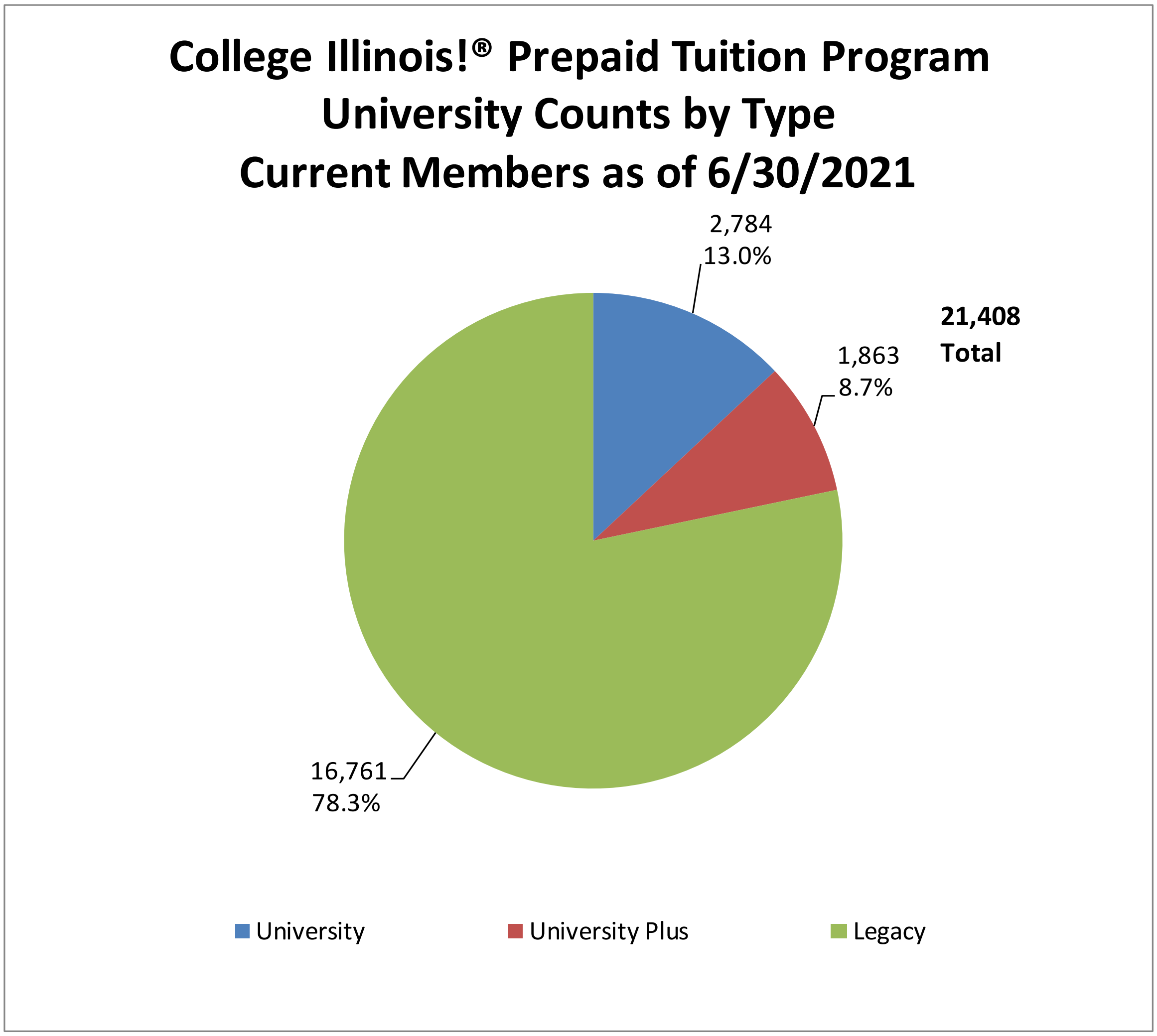

College Illinois!® Prepaid Tuition Program
Contract Counts by Enrollment Year
All Current and Past Members as of 6/30/2021
Number
73,226 Total
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
11,706
5,503
5,152
6,580
7,409
6,355
5,635
4,976
4,392
4,862
3,674
3,050
1,008
0
882
442
655
494
451
0
0
0
0
1998 - 1999
1999 - 2000
2000 - 2001
2001 - 2002
2002 - 2003
2003 - 2004
2004 - 2005
2005 - 2006
2006 - 2007
2007 - 2008
2008 - 2009
2009 - 2010
2010 - 2011
2011 - 2012
2012 - 2013
2013 - 2014
2014 - 2015
2015 - 2016
2016 - 2017
2017 - 2018
2018 - 2019
2019 - 2020
2020 - 2021
College Illinois! Enrollment Year
Count


College Illinois!® Prepaid Tuition Program
Contract Counts by Enrollment Year
Current Members as of 6/30/2021
Number
24,781 Total
3,000
2,500
2,000
1,500
1,000
500
0
1,273
961
1,164
1,931
2,357
2,498
2,293
2,241
1,973
2,359
1,742
1,485
467
0
532
282
476
390
357
0
0
0
0
1998 - 1999
1999 - 2000
2000 - 2001
2001 - 2002
2002 - 2003
2003 - 2004
2004 - 2005
2005 - 2006
2006 - 2007
2007 - 2008
2008 - 2009
2009 - 2010
2010 - 2011
2011 - 2012
2012 - 2013
2013 - 2014
2014 - 2015
2015 - 2016
2016 - 2017
2017 - 2018
2018 - 2019
2019 - 2020
2020 - 2021
College Illinois! Enrollment Year
Count


College Illinois!® Prepaid Tuition Program
Counts by Projected Matriculation Year
Current Members as of 6/30/2021
Number
24,781 Total
2,500
2,000
1,500
1,000
500
0
5
10
10
28
30
48
61
127
170
544
692
814
938
1,091
1,367
1,638
2,026
2,149
2,336
2,122
1,955
1,674
1,319
1,068
813
585
394
186
156
134
104
77
62
44
2
1
1
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
2028
2030
2032
2034
2036
2038
Projected Matriculation Year
Count


College Illinois!® Prepaid Tuition Program
Counts by Semesters Purchased
Current Members as of 6/30/2021
Number
24,781 Total
12,000
10,000
8,000
6,000
4,000
2,000
0
1,826
1,451
2,034
530
2,965
390
853
269
10,025
2,891
236
199
37
1,075
4,4
1,0
2,0
3,0
4,0
5,0
6,0
7,0
8,0
9,0
0,1
0,2
0,3
0,4
Semesters Purchased (University, Community College)
Count


College Illinois!® Prepaid Tuition Program
Counts by Contract Type
Current Members as of 6/30/2021
1,547
6.2%
1,826
7.4%
24,781
Total
21,408
86.4%
Community College
Combination Univ./CC
University


College Illinois!® Prepaid Tuition Program
University Counts by Type
Current Members as of 6/30/2021
2,784
13.0%
1,863
8.7%
21,408
Total
16,761
78.3%
University
University Plus
Legacy

SECTION E

ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

Actuarial Valuation Methods

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

Actuarial Valuation Assumptions

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

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

Measurement Date

June 30, 2021

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, 2021, and prescribed to us by ISAC.)

Net Investment Return Rate

Fiscal Year Ending 6/30	Net Investment Return Rate
2022	5.250%
2023	4.800%
2024	4.350%
2025	3.900%
2026	3.450%
2027+	3.000%

Considering the current asset allocation, current and future liquidity requirements and the fact that the program enrollment is on hold, we believe the current select and ultimate net investment rate of return assumption is reasonable, based on applicable Actuarial Standards of Practice.

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†
2021-2022 Weighted Tuition	$4,281	$11,123	$14,074	$11,914
2021-2022 Weighted Fees	517	4,408	4,612	4,462
2021-2022 Total WATF	4,798	15,531	18,686	16,376

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

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

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

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy
2021-2022 Total WATF	$4,798	$15,531	$18,686	$16,376
2020-2021 Total WATF	4,599	15,431	18,714	16,319
WATF Increase	4.33%	0.65%	-0.15%	0.35%

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 2021-2022 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, 2021, Actuarial Valuation				
Effective Date	Community College	University	University Plus	Legacy
6/30/2021 and Beyond	4.50%	4.50%	4.50%	4.50%

(First effective with the actuarial soundness valuation as of June 30, 2021, 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
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	11,687
2018-2019 Weighted Tuition	3,942	10,925	13,885	11,687
2017-2018 Weighted Tuition	3,862	10,675	13,884	11,525

Rates of Cancellation

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

Years from Projected College Entrance Year	Cancellation Rate	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 Enrollment

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

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

Utilization of Benefits

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

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

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

Administrative Expenses

Administrative expenses of the Program are assumed to be paid through a combination of investment earnings and fees assessed on purchasers. Marketing expenses were excluded from the liabilities (present value of future administrative expenses) for current contract beneficiaries as it is assumed those costs should be applicable to future contracts. Administrative expenses are projected to increase by the rate of the inflation assumption of 2.50 percent for two years and then decline at the same rate the present value of benefits declines (combined with a 2.50 percent increase for inflation). (The increase for two years assumption was used in the prior valuation and reset at two years in the current valuation.) The present value of future administrative expenses was determined to be equal to approximately 2.9 percent of the total liabilities.

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

	Assumed Current Contract Beneficiary Expenses			
Fiscal Year	Marketing	Other Administration	Total Administrative Expenses	Marketing % of Total
2021	$0	$3,997,358	$3,997,358	0.00%
2022	0	4,097,292	4,097,292	0.00%
2023	0	4,199,724	4,199,724	0.00%

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.

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.

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

C. Contract Payments

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

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

D. Private or Out-of-State Institutions

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

E. Scholarship

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

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

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

F. Not Attending an Institution of Higher Education (Transfer)

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

Purchasers can also choose to postpone the beneficiary's use of contract benefits to a later time or receive a refund.

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

College Illinois!® Prepaid Tuition Program

Supplemental Actuarial Soundness Valuation Report as of June 30, 2021

P: 312.456.9800 | www.grsconsulting.com

December 2, 2021

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, 2021

Dear Mr. Zarnikow:

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

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

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

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

This projection represents one of multiple documents providing actuarial soundness valuation results for the College Illinois!® Prepaid Tuition Program as of June 30, 2021. Additional information regarding the underlying financial and beneficiary data and important additional disclosures are provided in the June 30, 2021 Actuarial Soundness Valuation Report.

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

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

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

For purposes of this projection, we used the actuarial soundness valuation results from the June 30, 2021 Actuarial Soundness Valuation, and unless noted differently, the same actuarial assumptions and methods as used for the June 30, 2021 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, 2021, and does not reflect subsequent market volatility.

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

The College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period and is still not accepting new contracts for the 2021/2022 enrollment period. ISAC recently secured some state funding to start addressing the College Illinois!® Prepaid Tuition Program unfunded liability. There were two State appropriations from the State's General Revenue Fund – one for $30 million on behalf of fiscal year 2021 that is reflected in the assets as of June 30, 2021 and a second appropriation of $20 million for fiscal year 2022 that was received in the first quarter of fiscal year 2022. ISAC has informed us that they will continue to advocate for annual funding in future years until the full unfunded liability is addressed.

Under this Closed Group Run-Off scenario, Trust assets are projected to be depleted in the future. Therefore, we have incorporated a "select and ultimate" approach to the investment return assumption (and also the related discount rate for the liabilities). Under this "select and ultimate" approach to the investment return assumption, we have assumed that the net investment return and discount rate grade down from 5.25% to 3.00% in yearly increments based on the number of years until the Trust assets are projected to be depleted and are no longer available to pay benefits. Implicit in this approach is the assumption that once the Trust is completely exhausted, and ISAC is relying on additional payments from the State of Illinois, the State will be making payments to the College Illinois!® Prepaid Tuition Program from the State Portfolio. (The State Portfolio provides the necessary liquidity to meet the state's daily obligations while investing remaining funds in authorized short/long-term investment opportunities.) Based on input from ISAC, we have assumed that the underlying return on such assets in the State Portfolio is 3.00%.

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

> *There are risks associated with the Program Contracts. Though a Contract is not a savings program, Contract payments and related amounts are held in the Fund and invested.*
>
> *The Program's ability to honor existing and future Contracts depends primarily upon a combination of three factors: (i) continued Contract sales within projections; (ii) achieving a projected annual net return on Fund investments; and (iii) actual tuition/fee increases being within projected amounts. Favorable or unfavorable experience in one or more of these factors can result in the improvement or decline of the Program's funding.*
>
> *In the event Contract sales and/or investment returns are lower than expected or if tuition/fees increase beyond the Commission's expectations, the Program may not have sufficient funds to fulfill its obligations. The Program is a moral obligation of the State of Illinois requiring the Governor to request an appropriation from the State General Assembly in the event the Commission and the Governor determine that the Program does not have adequate assets to meet its Contractual obligations in an upcoming fiscal year. While the General Assembly has fulfilled other moral obligations of the State of Illinois in the past, it is not obligated to appropriate, and no assurances can be made that the General Assembly will appropriate sufficient moneys to meet the Program's Contractual obligations.*
>
> *The Program is not supported by the full faith and credit of the State of Illinois, nor is it guaranteed by the State's general fund.*
>
> *If it is determined by the Commission, with the concurrence of the Governor, that the Program is financially infeasible, the Commission may prospectively discontinue the Program. Pursuant to the State's prepaid tuition statute, if the Program is discontinued, Beneficiaries who are or will enroll at an eligible institution within five years shall be entitled to exercise the complete Benefits specified in the Contract; all other Contract holders shall receive an appropriate refund of all contributions and accrued interest, if any, up to the time the Program is discontinued. Illinois Compiled Statutes, Chapter 110, Section 979/35. In the event of Program termination, the Commission will endeavor to provide refunds to Purchasers to the greatest extent possible; however, the Commission is unable to guarantee Purchasers will receive a full refund.*
>
> *Federal or state legislative action could diminish or even terminate the Program's tax advantages. There is no assurance that a change will not adversely affect the Program or the value of your interest in the Program. The Commission is not obligated to continue to offer the Program in the event that changes in state or federal laws reduce the Benefits available to Purchasers and Beneficiaries.*

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

This report was prepared using our proprietary valuation model and related software 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.

This report reflects the impact of COVID-19 through June 30, 2021. However, this report does not reflect the longer term and still developing future impact of COVID-19, which is likely to further influence demographic experience and economic expectations. We will continue to monitor these developments and their impact.

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

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

Respectfully submitted,

Gabriel, Roeder, Smith & Company

SIGNED ORIGINAL ON FILE

Senior Consultant and Team Leader

SIGNED ORIGINAL ON FILE

Senior Consultant

Table of Contents

SECTION A

BACKGROUND

Background

Purpose of Projection

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

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

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

Closed Group Run-Off Scenario

The College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period and is still not accepting new contracts. Program enrollment remains closed.

ISAC recently secured some state funding to start addressing the College Illinois!® Prepaid Tuition Program unfunded liability. There were two State appropriations from the State's General Revenue Fund – one for $30 million on behalf of fiscal year 2021 that is reflected in the assets as of June 30, 2021 and a second appropriation of $20 million for fiscal year 2022 that was received in the first quarter of fiscal year 2022. ISAC has informed us that they will continue to advocate for annual funding in future years until the full unfunded liability is addressed.

While the closing of the CIPTP has not occurred (although program enrollment is currently on hold), we have performed a projection of the College Illinois!® Prepaid Tuition Program ("Program" or "CIPTP") under a Closed Group Run-Off scenario assuming no new contract sales after June 30, 2021. Please note that this closed group scenario was specifically requested by ISAC and is being presented for illustrative purposes only.

Projection Assumptions

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

For purposes of this analysis, we used the actuarial soundness valuation results from the June 30, 2021 Actuarial Soundness Valuation, and unless noted differently, the same actuarial assumptions and methods as used for the June 30, 2021 Actuarial Soundness Valuation.

SECTION B

PROJECTION RESULTS

Discussion of Scenario Results

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

Under this illustrative closed group scenario, we have assumed that the program continues to operate but with no new contract sales. Under this scenario, future payments from current contract holders, current Trust assets and future investment income are projected to be insufficient by the year 2027 to make the required tuition payments and additional funds will be required to maintain solvency ($304.8 million for the period 2027 to 2056). The CIPTP funded status is projected to decrease from 70.6% in 2021 to 0.5% in 2027 (when additional solvency contributions are required) and then remain at about 0.0% for the remaining years in the projection period.

Under this scenario, the Trust assets are projected to be depleted in 2027. Therefore, we have incorporated a "select and ultimate" approach to the investment return assumption (and also the related discount rate for the liabilities). Under this "select and ultimate" approach to the investment return assumption, we have assumed that the net investment return and discount rate grade down from an initial rate of 5.25% for fiscal year 2022 to the ultimate rate of 3.00% in fiscal year 2027, in equal yearly increments of 0.450%.

SECTION C

PROJECTION TABLE

Closed Group Projections
Scenario 1 — Run-Off Scenario
Projection Based on Data as of June 30, 2021
Assumed Net Investment Return and Discount Rates Graded Down from 5.25% to 3.00% in 0.450% Yearly Increments
Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2021, Including Assumed Tuition and Fee Increase Assumption of 4.50%
Zero New Contracts Per Year

			Assets										Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Due from Other State Fund	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds and Fees	Administrative Expenses	Net Non-Investment Cash Flow	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees and Expenses	Unfunded Liability	Funded Ratio
2021			$ 6,913,524	$ 30,000,000	$ -	$ 132,978,420	$ 3,997,358	$ (100,062,253)	$ 87,752,311	$ 559,303,255	$ 11,814,477	$ 571,117,732	$ 786,267,831	$ 23,131,164	$ 809,398,995	$ 238,281,263	70.6%
2022	5.250%	0	3,872,240	20,000,000	-	128,722,193	4,097,292	(108,947,245)	26,804,295	477,160,305	8,462,151	485,622,456	695,488,963	20,142,080	715,631,043	230,008,587	67.9%
2023	4.800%	0	2,819,758	-	-	123,238,634	4,199,724	(124,618,600)	19,947,902	372,489,607	5,981,695	378,471,302	602,710,738	16,809,564	619,520,301	241,048,999	61.1%
2024	4.350%	0	2,021,934	-	-	118,475,812	3,730,468	(120,184,346)	13,617,114	265,922,375	4,176,456	270,098,831	507,903,424	13,730,037	521,633,462	251,534,631	51.8%
2025	3.900%	0	1,386,595	-	-	113,528,369	3,222,251	(115,364,025)	8,142,890	158,701,240	2,925,962	161,627,202	411,990,660	10,981,025	422,971,685	261,344,483	38.2%
2026	3.450%	0	884,818	-	-	97,786,833	2,679,104	(99,581,118)	3,771,984	62,892,106	2,126,956	65,019,062	326,744,985	8,634,944	335,379,929	270,360,867	19.4%
2027	3.000%	0	738,386	-	14,275,050	76,664,068	2,177,885	(63,828,517)	936,410	-	1,441,385	1,441,385	258,741,804	6,683,680	265,425,484	263,984,099	0.5%
2028	3.000%	0	567,109	-	67,486,070	66,285,447	1,767,732	-	-	-	909,074	909,074	199,231,677	5,090,138	204,321,815	203,412,741	0.4%
2029	3.000%	0	382,891	-	54,433,934	53,421,639	1,395,186	-	-	-	547,754	547,754	150,991,584	3,826,883	154,818,468	154,270,714	0.4%
2030	3.000%	0	295,919	-	43,849,731	43,061,847	1,083,803	-	-	-	263,862	263,862	111,818,330	2,841,750	114,660,080	114,396,218	0.2%
2031	3.000%	0	178,690	-	31,084,800	30,440,803	822,687	-	-	-	90,427	90,427	84,278,839	2,092,067	86,370,906	86,280,479	0.1%
2032	3.000%	0	78,366	-	26,252,220	25,695,015	635,571	-	-	-	13,607	13,607	60,729,612	1,509,795	62,239,407	62,225,800	0.0%
2033	3.000%	0	5,533	-	18,730,752	18,266,856	469,429	-	-	-	8,400	8,400	44,012,666	1,078,671	45,091,337	45,082,937	0.0%
2034	3.000%	0	2,960	-	13,961,049	13,615,294	348,715	-	-	-	5,648	5,648	31,515,032	757,124	32,272,155	32,266,507	0.0%
2035	3.000%	0	2,930	-	10,469,423	10,216,415	255,938	-	-	-	2,844	2,844	22,091,954	520,089	22,612,042	22,609,198	0.0%
2036	3.000%	0	2,886	-	7,781,400	7,600,389	183,897	-	-	-	-	-	15,041,160	349,056	15,390,216	15,390,216	0.0%
2037	3.000%	0	-	-	5,494,744	5,366,409	128,335	-	-	-	-	-	10,046,084	229,282	10,275,366	10,275,366	0.0%
2038	3.000%	0	-	-	3,837,702	3,749,843	87,859	-	-	-	-	-	6,541,792	146,993	6,688,785	6,688,785	0.0%
2039	3.000%	0	-	-	2,672,551	2,613,909	58,642	-	-	-	-	-	4,085,217	91,888	4,177,105	4,177,105	0.0%
2040	3.000%	0	-	-	1,683,703	1,646,167	37,536	-	-	-	-	-	2,537,097	56,549	2,593,646	2,593,646	0.0%
2041	3.000%	0	-	-	1,045,242	1,021,348	23,894	-	-	-	-	-	1,576,655	33,996	1,610,650	1,610,650	0.0%
2042	3.000%	0	-	-	697,365	682,145	15,220	-	-	-	-	-	931,653	19,569	951,221	951,221	0.0%
2043	3.000%	0	-	-	431,063	421,844	9,219	-	-	-	-	-	531,477	10,800	542,277	542,277	0.0%
2044	3.000%	0	-	-	258,181	252,791	5,390	-	-	-	-	-	290,867	5,653	296,520	296,520	0.0%
2045	3.000%	0	-	-	147,184	144,160	3,024	-	-	-	-	-	153,287	2,754	156,041	156,041	0.0%
2046	3.000%	0	-	-	100,988	99,355	1,633	-	-	-	-	-	57,051	1,179	58,230	58,230	0.0%
2047	3.000%	0	-	-	30,464	29,841	623	-	-	-	-	-	28,477	582	29,059	29,059	0.0%
2048	3.000%	0	-	-	15,551	15,232	319	-	-	-	-	-	13,873	276	14,149	14,149	0.0%
2049	3.000%	0	-	-	8,055	7,896	159	-	-	-	-	-	6,275	123	6,398	6,398	0.0%
2050	3.000%	0	-	-	3,712	3,638	74	-	-	-	-	-	2,771	51	2,823	2,823	0.0%
2051	3.000%	0	-	-	1,758	1,725	33	-	-	-	-	-	1,104	19	1,123	1,123	0.0%
2052	3.000%	0	-	-	780	766	14	-	-	-	-	-	359	6	365	365	0.0%
2053	3.000%	0	-	-	295	290	5	-	-	-	-	-	76	1	77	77	0.0%
2054	3.000%	0	-	-	51	50	1	-	-	-	-	-	27	0	28	28	0.0%
2055	3.000%	0	-	-	21	21	0	-	-	-	-	-	7	0	7	7	0.0%
2056	3.000%	0	-	-	7	7	0	-	-	-	-	-	-	-	-	-	0.0%
2057	3.000%	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
2058	3.000%	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%

[a] *Additional contributions in the amount of $304,753,846 are needed over the years 2027 through 2056 to pay all benefits due.*

SECTION D

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Valuation Methods

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

Actuarial Valuation Assumptions

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

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

Measurement Date

June 30, 2021

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%. (First effective with the actuarial soundness valuation as of June 30, 2021, and prescribed to us by ISAC.)

Net Investment Return Rate

Fiscal Year Ending 6/30	Net Investment Return Rate
2022	5.250%
2023	4.800%
2024	4.350%
2025	3.900%
2026	3.450%
2027+	3.000%

Considering the current asset allocation, current and future liquidity requirements and the fact that the program enrollment is on hold, we believe the current select and ultimate net investment rate of return assumption is reasonable, based on applicable Actuarial Standards of Practice.

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†
2021-2022 Weighted Tuition	$4,281	$11,123	$14,074	$11,914
2021-2022 Weighted Fees	517	4,408	4,612	4,462
2021-2022 Total WATF	4,798	15,531	18,686	16,376

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

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

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

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy
2021-2022 Total WATF	$4,798	$15,531	$18,686	$16,376
2020-2021 Total WATF	4,599	15,431	18,714	16,319
WATF Increase	4.33%	0.65%	-0.15%	0.35%

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 2021-2022 WATF. The following bias loads were used to recognize this bias toward enrollment at more expensive schools. No bias load was applied to the "University Plus" beneficiaries due to the separation of UIUC.

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

Tuition and Fee Increase Assumption

Tuition and Fee Increase Assumption - June 30, 2021, Actuarial Valuation				
Effective Date	Community College	University	University Plus	Legacy
6/30/2021 and Beyond	4.50%	4.50%	4.50%	4.50%

(First effective with the actuarial soundness valuation as of June 30, 2021, 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
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	11,687
2018-2019 Weighted Tuition	3,942	10,925	13,885	11,687
2017-2018 Weighted Tuition	3,862	10,675	13,884	11,525

Rates of Cancellation

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

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

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

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

Rates of Enrollment

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

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

Utilization of Benefits

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

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

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

Administrative Expenses

Administrative expenses of the Program are assumed to be paid through a combination of investment earnings and fees assessed on purchasers. Marketing expenses were excluded from the liabilities (present value of future administrative expenses) for current contract beneficiaries as it is assumed those costs should be applicable to future contracts. Administrative expenses are projected to increase by the rate of the inflation assumption of 2.50% for two years and then decline at the same rate the present value of benefits declines (combined with a 2.50% increase for inflation). The present value of future administrative expenses was determined to be equal to approximately 2.9% of the total liabilities.

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

	Assumed Current Contract Beneficiary Expenses			
Fiscal Year	Marketing	Other Administration	Total Administrative Expenses	Marketing % of Total
2021	$0	$3,997,358	$3,997,358	0.00%
2022	0	4,097,292	4,097,292	0.00%
2023	0	4,199,724	4,199,724	0.00%

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.

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 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.

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

C. Member Contributions

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

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

D. Private or Out-of-State Institutions

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

E. Scholarship

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

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

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

F. Not Attending an Institution of Higher Education (Transfer)

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

Purchasers can also choose to postpone the beneficiary's use of contract benefits to a later time or receive a refund.

G. Cancellation/Refunds

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

H. Death/Disability of Qualified Beneficiary

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

I. Other Ancillary Benefits

There are no ancillary benefits.

J. Truth in Tuition

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

K. Changes from Previous Valuation

None.

Crowe LLP
Independent Member Crowe Global

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

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

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

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Illinois Prepaid Tuition Program of the State of Illinois, Illinois Student Assistance Commission, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Illinois Prepaid Tuition Program of the State of Illinois, Illinois Student Assistance Commission's basic financial statements and have issued our report thereon dated May 23, 2022. That report contains an emphasis of matter paragraph which states "as discussed in Notes 9 and 10, the Illinois Prepaid Tuition Program Fund has a deficit as of June 30, 2021 of $216 million. The amount of the fund deficit is highly dependent on the actuarial assumptions used to calculate the present value of the future tuition benefits obligation." Our opinion is not modified with respect to this matter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Student Assistance Commission, Illinois Prepaid Tuition Program'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 are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the State of Illinois, Illinois Student Assistance Commission is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting (internal control) of the Illinois Prepaid Tuition Program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control.

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

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

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

Crowe LLP

Oak Brook, Illinois
May 23, 2022