STATE OF ILLINOIS
ILLINOIS STUDENT
ASSISTANCE COMMISSION

FINANCIAL AUDIT
June 30, 2017

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

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION

FINANCIAL AUDIT
June 30, 2017

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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
AGENCY OFFICIALS

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

Agency offices are located at:

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FINANCIAL STATEMENT REPORT

SUMMARY

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

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

SUMMARY OF FINDINGS

The auditors identified an instance of noncompliance and other matters. The instance of noncompliance and other matters is described in the accompanying Schedule of Findings on page 160, as finding 2017-001 (Debt Covenant Violation).

EXIT CONFERENCE

In correspondence received from Wendy Funk, Director of Accounting and Finance, on November 17, 2017, the Commission elected to waive a formal exit conference. The response to the recommendation was provided by Erik Zarnikow, Executive Director, in correspondence dated December 19, 2017.

Independent Auditor's Report

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

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

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Student Assistance Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2, the financial statements of the State of Illinois, Illinois Student Assistance Commission are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the State of Illinois, Illinois Student Assistance Commission. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2017, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13, the Illinois Prepaid Tuition Program Fund has a deficit as of June 30, 2017 of $286 million. The amount of the fund deficit is highly dependent on the actuarial assumptions used to calculate the actuarial present value of future tuition benefit obligations.

Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on page 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2018, on our consideration of the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

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

SIGNED ORIGINAL ON FILE

Crowe Horwath, LLP

Oak Brook, Illinois
January 9, 2018

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
June 30, 2017
(Dollars in thousands)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Unrestricted			
Unexpended appropriations	$ (4)	$ -	$ (4)
Cash and cash equivalents	279	141,934	142,213
Investments	-	156,214	156,214
Receivables			
Contracts	-	12,866	12,866
Intergovernmental	-	19,163	19,163
Accrued interest on investments	-	97	97
Other	25	-	25
Securities lending collateral	-	31,172	31,172
Due from other State funds	-	504	504
Total current assets, unrestricted	300	361,950	362,250
Restricted			
Cash and cash equivalents	-	14,197	14,197
Receivables			
Student loans, net	-	45,988	45,988
Accrued interest on loans	-	14,756	14,756
Other	-	15	15
Total current assets, restricted	-	74,956	74,956
Non-current			
Unrestricted			
Investments	-	727,555	727,555
Recoverable taxes	-	156	156
Contracts receivable	-	33,131	33,131
Notes receivable	4,596	-	4,596
Capital assets not being depreciated	2,700	-	2,700
Capital assets being depreciated, net	7,418	2,122	9,540
Total non-current assets, unrestricted	14,714	762,964	777,678
Restricted			
Student loans receivable, net	-	307,766	307,766
Total non-current, restricted	-	307,766	307,766
Total assets	15,014	1,507,636	1,522,650
Deferred outflows of resources			
Pension related amounts	30,488	15,962	46,450

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
June 30, 2017
(Dollars in thousands)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current			
Accounts payable and accrued liabilities	$ 39	$ 12,490	$ 12,529
Accrued interest payable	-	885	885
Federal special allowance and interest subsidy	-	534	534
Due to other State funds	-	197	197
Due to State of Illinois component units	-	82	82
Unearned revenue	4	-	4
Securities lending collateral obligation	-	31,172	31,172
Intergovernmental payable	-	7,521	7,521
Compensated absences	-	196	196
Tuition obligation	-	152,764	152,764
Line of credit	-	135,457	135,457
Total current liabilities	43	341,298	341,341
Non-current			
Revenue bonds and notes payable, net	-	192,133	192,133
Net pension liability	45,685	60,574	106,259
Compensated absences	-	1,766	1,766
Tuition obligation	-	1,082,950	1,082,950
Total current liabilities	45,685	1,337,423	1,383,108
Total liabilities	45,728	1,678,721	1,724,449
Deferred inflows of resources			
Unamortized deferred amount on refunding	-	37,056	37,056
Pension related amounts	4,530	28,732	33,262
Total deferred inflows of resources	4,530	65,788	70,318
Net position			
Investment in capital assets	10,118	2,122	12,240
Restricted for debt service	-	16,657	16,657
Restricted for federal programs	3	43,712	43,715
Unrestricted	(14,877)	(283,402)	(298,279)
Total net position	$ (4,756)	$ (220,911)	$ (225,667)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017
(Dollars in thousands)

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental activities			
Education			
Scholarships, awards and grants	$ 170,270	$ -	$ 317
Total governmental activities	170,270	-	317
Business-type activities			
Education			
Student loan purchase program	10,030	17,583	-
Prepaid tuition	157,575	17,249	69,054
Loan guarantee program	154,100	32,272	132,188
Total business-type activities	321,705	67,104	201,242
Total Commission	$ 491,975	$ 67,104	$ 201,559

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

Change in net position

Net position (deficit) July 1, 2016

Net position (deficit) June 30, 2017

See notes to the financial statements.

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (169,953)	$ -	$ (169,953)
(169,953)	-	(169,953)
-	7,553	7,553
-	(71,272)	(71,272)
-	10,360	10,360
-	(53,359)	(53,359)
(169,953)	(53,359)	(223,312)
539,532	-	539,532
(24,971)	-	(24,971)
(359,771)	-	(359,771)
1,156	-	1,156
-	825	825
403	188	591
156,349	1,013	157,362
(13,604)	(52,346)	(65,950)
8,848	(168,565)	(159,717)
$ (4,756)	$ (220,911)	$ (225,667)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017
(Dollars in thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Unexpended appropriations	$ -	$ (4)	$ (4)
Cash and cash equivalents	-	279	279
Other receivables	-	25	25
Notes receivable, net of allowance of $30,792	4,596	-	4,596
Total assets	$ 4,596	$ 300	$ 4,896
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	$ -	$ 39	$ 39
Unearned revenues	-	4	4
Total liabilities	-	43	43
Fund balances			
Nonspendable, notes receivable	4,596	-	4,596
Restricted	-	3	3
Committed	-	254	254
Total fund balances	4,596	257	4,853
Total liabilities and fund balances	$ 4,596	$ 300	$ 4,896

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2017
(Dollars in thousands)

Total fund balances, governmental fund		$ 4,853
Amounts reported for governmental activities in the Statement of Net Position are different due to:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 2,700	
Buildings	19,229	
Equipment	51	
Accumulated depreciation	(11,862)	
Total capital assets		10,118
Some liabilities, deferred outflows of resources and deferred inflows of resources reported in the Statement of Net Position do not require the use of current (or provide) financial resources and, therefore, are not reported in governmental funds. These amounts consist of:		
Deferred outflows, pension related	30,488	
Net pension liability	(45,685)	
Deferred inflows, pension related	(4,530)	
		(19,727)
Net position of governmental activities		$ (4,756)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017
(Dollars in thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Federal government	$ -	$ 317	$ 317
Other	-	403	403
Total revenues	-	720	720
Expenditures			
Education			
Scholarships, awards and grants	6,197	151,665	157,862
Salaries and employee benefits	-	68	68
Total expenditures	6,197	151,733	157,930
Deficiency of revenues over expenditures	(6,197)	(151,013)	(157,210)
Other sources (uses) of financial resources			
Appropriations from State resources	388,571	150,961	539,532
Lapsed appropriations	(24,971)	-	(24,971)
Receipts remitted to State Treasury	(359,771)	-	(359,771)
SERS on behalf contribution	1,156	-	1,156
Net other sources (uses) of financial resources	4,985	150,961	155,946
Net change in fund balances	(1,212)	(52)	(1,264)
Fund balance, July 1, 2016	5,808	309	6,117
Fund balance, June 30, 2017	$ 4,596	$ 257	$ 4,853

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017
(Dollars in thousands)

Net change in fund balances, total governmental funds	$ (1,264)
Amounts reported for governmental activities in the Statement of Activities are different due to:	
Governmental funds report capital outlays as expenditures while the Statement of Activities reports depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation ($505) Exceeded capital outlay ($0) in FY 2017	(505)
Some amounts reported in the Statement of Activities do not require the use of the current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:	
Decrease in deferred outflows	(4,854)
Increase in deferred inflows	(2,862)
Increase in net pension liability	(4,119)
Change in net position of governmental activities	$ (13,604)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2017
(Dollars in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
ASSETS				
Current				
Unrestricted				
Cash and cash equivalents	$ 19,617	$ 25,031	$ 97,286	$ 141,934
Investments	3,984	152,230	-	156,214
Receivables				
Contracts	-	12,866	-	12,866
Intergovernmental	-	-	19,163	19,163
Accrued interest on investments	-	2	95	97
Securities lending collateral	-	-	31,172	31,172
Due from other State funds	-	-	504	504
Due from other ISAC funds	-	-	2,337	2,337
Total current assets, unrestricted	23,601	190,129	150,557	364,287
Restricted				
Cash and cash equivalents	14,197	-	-	14,197
Receivables				
Student loans receivable, net of allowance of $8,660	45,988	-	-	45,988
Accrued interest on loans	14,756	-	-	14,756
Other	15	-	-	15
Total current assets, restricted	74,956	-	-	74,956
Non-current				
Unrestricted				
Investments	-	727,555	-	727,555
Recoverable taxes	-	156	-	156
Contracts receivable	-	33,131	-	33,131
Capital assets, net of accumulated depreciation	-	-	2,122	2,122
Total non-current assets, unrestricted	-	760,842	2,122	762,964
Restricted				
Student loans receivable, net of allowance of $57,959	307,766	-	-	307,766
Total non-current, restricted	307,766	-	-	307,766
Total assets	406,323	950,971	152,679	1,509,973
Deferred outflows of resources				
Pension related amounts	645	-	15,317	15,962
Total assets and deferred outflows of resources	$ 406,968	$ 950,971	$ 167,996	$ 1,525,935

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2017
(Dollars in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$ 181	$ 1,284	$ 11,025	$ 12,490
Accrued interest payable	885	-	-	885
Tuition obligation	-	152,764	-	152,764
Federal special allowance and interest subsidy	534	-	-	534
Due to other ISAC funds	2,053	284	-	2,337
Due to other State funds	-	-	197	197
Due to State of Illinois component units	-	82	-	82
Securities lending collateral obligation	-	-	31,172	31,172
Intergovernmental payable	-	-	7,521	7,521
Compensated absences	4	-	192	196
Revolving credit line	135,457	-	-	135,457
Total current liabilities	139,114	154,414	50,107	343,635
Non-current				
Tuition obligation	-	1,082,950	-	1,082,950
Revenue bonds and notes payable, net	192,133	-	-	192,133
Net pension liability	3,210	-	57,364	60,574
Compensated absences	31	-	1,735	1,766
Total current liabilities	195,374	1,082,950	59,099	1,337,423
Total liabilities	334,488	1,237,364	109,206	1,681,058
DEFERRED INFLOWS OF RESOURCES				
Unamortized deferred amount on refunding	37,056	-	-	37,056
Pension related amounts	2,793	-	25,939	28,732
Total deferred inflows of resources	39,849	-	25,939	65,788
NET POSITION				
Net investment in capital assets	-	-	2,122	2,122
Restricted for debt service	16,657	-	-	16,657
Restricted for federal grant programs	-	-	43,712	43,712
Unrestricted	15,974	(286,393)	(12,983)	(283,402)
Total net position	32,631	(286,393)	32,851	(220,911)
Total liabilities, deferred inflows or resources, and net position	$ 406,968	$ 950,971	$ 167,996	$ 1,525,935

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUNDS
Year Ended June 30, 2017
(Dollars in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Operating revenues				
Investment income				
Interest, student loans	$ 17,583	$ -	$ -	$ 17,583
Income, investments (net of closed end funds investment management fees of $2,339)	51	68,789	-	68,840
Interest, other	188	265	-	453
Total investment income	17,822	69,054	-	86,876
Other operating revenues				
Fees	-	422	-	422
Tuition contract revenue	-	16,827	-	16,827
Portfolio maintenance fees	-	-	2,167	2,167
Direct consolidation cost	-	-	8,152	8,152
Rehabilitation sales to the U.S. Department of Education	-	-	7	7
Collections on student loans previously reimbursed by the U.S. Department of Education	-	-	20,909	20,909
Other	-	-	1,037	1,037
Total other operating revenues	-	17,249	32,272	49,521
Total operating revenues	17,822	86,303	32,272	136,397
Operating expenses				
Interest and other student loan expenses				
Interest expense				
Revenue bonds and notes	1,183	-	-	1,183
Amortization of loan premiums	1,395	-	-	1,395
Other student loan fees	1,498	-	-	1,498
Provision for loan losses	1,615	-	-	1,615
Total interest and other student loan expenses	5,691	-	-	5,691
Other operating expenses				
Salaries and employee benefits	225	2,823	13,331	16,379
Pension expenses	(1,112)	-	(2,069)	(3,181)
Loan guarantee	-	-	131,593	131,593
External loan servicing	1,523	-	-	1,523
Accreted tuition expenses	-	147,426	-	147,426
Investment management fees	-	891	-	891
Investment advisory fees	-	2,711	-	2,711
Management and professional services	743	3,724	10,808	15,275
Depreciation	-	-	437	437
Other	38	-	-	38
Total other operating expenses	1,417	157,575	154,100	313,092
Total operating expenses	7,108	157,575	154,100	318,783
Operating income (loss)	10,714	(71,272)	(121,828)	(182,386)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUNDS
Year Ended June 30, 2017
(Dollars in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Non-operating revenues (expenses)				
Federal government special allowance and interest subsidy	$ (2,922)	$ -	$ -	$ (2,922)
Federal government	-	-	132,188	132,188
Interest revenue	-	-	774	774
Total Non-operating revenues (expenses)	(2,922)	-	132,962	130,040
Change in fund net position	7,792	(71,272)	11,134	(52,346)
Net Position, July 1, 2016	24,839	(215,121)	21,717	(168,565)
Net Position, June 30, 2017	$ 32,631	$ (286,393)	$ 32,851	$ (220,911)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2017
(Dollars in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Cash flows from operating activities				
Cash received from fees and other charges	$ -	$ 422	$ 129,300	$ 129,722
Cash payments for tuition	-	(125,515)	-	(125,515)
Cash payments to suppliers for goods and services	(1,117)	(3,809)	(5,846)	(10,772)
Cash payments to employees for services	(344)	(2,823)	(17,374)	(20,541)
Cash payments for loan guarantees	-	-	(134,162)	(134,162)
Cash receipts from tuition contracts	-	23,258	-	23,258
Cash payments for refund of contracts	-	(18,216)	-	(18,216)
Cash received from other operating activities	72,579	-	-	72,579
Cash payments for other operating activities	(5,179)	-	(100,298)	(105,477)
Net cash provided (used) by operating activities	65,939	(126,683)	(128,380)	(189,124)
Cash flows from noncapital financing activities				
Principal paid on revenue bonds and other borrowings	(57,636)	-	-	(57,636)
Interest paid on revenue bonds and other borrowings	(4,881)	-	-	(4,881)
Special allowance and interest subsidy	(3,315)	-	-	(3,315)
Transfers in	-	-	25,428	25,428
Transfers out	-	-	(25,428)	(25,428)
Federal government grants	-	-	137,432	137,432
Net cash provided (used) by noncapital financing activities	(65,832)	-	137,432	71,600
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	-	(162)	(162)
Cash flows from investing activities				
Purchase of investment securities	(9,969)	(395,161)	-	(405,130)
Proceeds from sales and maturities of investment securities	7,000	499,165	-	506,165
Interest and dividends on investments	37	46,850	722	47,609
Cash paid to investment managers	-	(891)	-	(891)
Net cash provided by investing activities	(2,932)	149,963	722	147,753
Increase (decrease) in cash and cash equivalents	(2,825)	23,280	9,612	30,067
Cash and cash equivalents, July 1, 2016	36,639	1,751	87,674	126,064
Cash and cash equivalents, June 30, 2017	$ 33,814	$ 25,031	$ 97,286	$ 156,131

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2017
(Dollars in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	$ 10,714	$ (71,272)	$ (121,828)	$ (182,386)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	437	437
Investment income	(51)	(65,452)	-	(65,503)
Interest expense	1,183	-	-	1,183
Accreted tuition contract revenue	-	(16,827)	-	(16,827)
Amortization of student loan premiums	1,395	-	-	1,395
Accreted tuition expense	-	147,426	-	147,426
Provision for loan losses	1,615	-	-	1,615
Change in assets, liabilities and deferred outflows/ inflows of resources				
Contracts receivable	-	5,210	-	5,210
Student loans receivable	53,773	-	-	53,773
Intergovernmental receivables	-	-	59	59
Accrued interest - loans and notes	(1,355)	-	-	(1,355)
Due from other State funds	-	-	(147)	(147)
Accounts payable and accrued liabilities	(44)	118	(997)	(923)
Intergovernmental payables	-	-	460	460
Due to other ISAC funds	(59)	3	(12)	(68)
Due to other State funds and component units	-	(205)	(220)	(425)
Tuition obligation	-	(125,684)	-	(125,684)
Compensated absences	(41)	-	125	84
Deferred inflows related to pensions	(1,452)	-	(9,368)	(10,820)
Deferred outflows related to pensions	(259)	-	(8,320)	(8,579)
Net pension liability	520	-	11,431	11,951
Total adjustments	55,225	(55,411)	(6,552)	(6,738)
Net cash provided (used) by operating activities	$ 65,939	$ (126,683)	$ (128,380)	$ (189,124)
Supplemental disclosure of noncash transactions:				
Net appreciation in fair value of investments	$ 14	$ 42,582	$ -	$ 42,596

See notes to the financial statements.

NOTE 1 - ORGANIZATION

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

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

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

<u>Monetary Award Program (MAP)</u>: This program was created to provide financial assistance to qualifying students who are residents of the State and enrolled at an approved post-secondary institution in Illinois. The monetary awards are granted on the basis of student financial need and the availability of funds. The grant provided up to $4,968 in Fiscal Year 2017 for the payment of tuition and mandatory fees. The program is usually funded by the General Fund appropriation.

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

This grant is an entitlement program and is awarded to eligible applicants regardless of the funding level. If funds appropriated for ISAC are insufficient to reimburse public post-secondary institutions for all recipients, the obligation to pay is transferred to the institution. This program was not funded in Fiscal Year 2017.

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

(Continued)

NOTE 1 - ORGANIZATION (Continued)

Illinois National Guard Grant (continued): The ING Grant is an entitlement program and is awarded to eligible recipients regardless of the funding level. If funds appropriated for ISAC are insufficient to reimburse public post-secondary institutions for all recipients, the obligation to pay is transferred to the institution where the guard member attends school. This program was not funded in Fiscal Year 2017.

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

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

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

Scholars receive financial assistance of up to $5,000 to attend a course of study which, upon completion, qualifies the student to be certified as a preschool, elementary or secondary school teacher by the Illinois State Board of Education, including alternative teacher certification; and in exchange the recipient pledges to teach full time (one year for each year in which scholarship assistance was received) in a nonprofit Illinois public, private, or parochial preschool, elementary or secondary school with at least 30% minority enrollment.

Grant Program for Dependents of Police, Fire or Correctional Officers (Dependents Grant): The Dependents Grant provides that the spouse or child of an Illinois police, fire officer or correctional officer who was killed or became at least 90 percent disabled in the line of duty, may be eligible for this grant. This grant provides assistance toward college tuition and mandatory fees for undergraduate or graduate study at an ISAC-approved Illinois college.

Illinois Teacher Loan Repayment Program: The Illinois Teachers Loan Repayment Program provides awards to encourage academically talented Illinois students to teach in Illinois schools in low-income areas. If the teaching obligations are met by a Federal Stafford loan borrower who has qualified for the federal government's loan forgiveness programs, Illinois may provide an additional matching award of up to $5,000 to the qualifying teacher to repay their student loan debt.

Nurse Educator Loan Repayment Program: In an effort to address the shortage of nurses and the lack of instructors to staff courses teaching nursing in Illinois, the Nurse Educator Loan Repayment Program encourages longevity and career change opportunities. The program is intended to pay eligible loans to add an incentive to nurse educators in maintaining their teaching careers within the State of Illinois. The annual awards to qualified nurse educators may be up to $5,000 to repay their student loan debt, and may be received for up to a maximum of four years.

(Continued)

NOTE 1 - ORGANIZATION (Continued)

Veterans' Home Medical Providers' Loan Repayment Act : The Veterans' Home Medical Providers' Loan Repayment Act provides for the payment of eligible educational loans as an incentive for nurses to pursue and continue their careers at State of Illinois veterans' homes. The annual award to qualified registered professional nurses and licensed practical nurses may be up to $5,000 to repay their student loan debt. This award may be received for up to a maximum of four years.

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

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

Each student designated as a State Scholar receives a congratulatory letter, a Certificate of Achievement and statewide recognition in the news media. To be honored as a State Scholar in Illinois is an outstanding accomplishment that will be a highlight of the recipient's academic record.

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

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

* These programs were not funded in Fiscal Year 2017.

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

(Continued)

NOTE 1 - ORGANIZATION (Continued)

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

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

Federal Family Education Loan Program (FFELP): This program was designed to stimulate the making of educational loans by Illinois commercial lenders to qualifying students by guaranteeing repayment of the loans through payments to lenders for defaulted loans. This program is federally funded through the United States Department of Education.

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

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

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

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

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

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

(Continued)

NOTE 1 - ORGANIZATION (Continued)

College Illinois!® (continued): private and out-of-state colleges and universities. Contracts can be purchased in a lump sum payment or in installments. The Illinois Prepaid Tuition Program has been named College Illinois!®.

For additional information, refer to the Illinois Prepaid Tuition Program Financial Audit, for the year ended June 30, 2017.

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

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

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

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

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

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

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

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are clearly identifiable with a specific function, including each activity's share of allocated (shared) costs. Interest expense related to borrowing for student loan activities (business-type activities) totaling $2,578 (including amortization) is included in student loan purchase program expense in the Statement of Activities. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all appropriations, are presented as general revenues.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

For Fiscal Year 2017, the Commission received appropriations through the General Fund - Educational Assistance Account. This account is a shared account and its activity (if any) attributed to the operations of the Commission is combined with the General Revenue Account for report presentation purposes. Any monies received by this fund are held in the State Treasury.

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

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

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

Additionally, the Commission administers the following fund types:

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

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Unexpended Appropriation: This "asset" account represents lapse period warrants issued between July and August for Fiscal Year 2017 in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

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

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

Receipts Remitted to State Treasury: This "other financing use" account represents all cash receipts received during the fiscal year from SAMS records.

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

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

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

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

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Investments: ISAC presents investments on its Statement of Net Position at fair value or amortized cost which approximates fair value. The net appreciation or depreciation in the fair value of investments since the prior fiscal year (or purchase date for Fiscal Year 2017 purchases) is included as investment income in the financial statements. Dividend and interest income are recorded in the period earned.

Contracts Receivable: Contracts receivable represents the amount College Illinois!® expects to receive from contract holders for contracts purchased on an installment basis. The actuarially determined present value of future contributions was $45,997 as of June 30, 2017 using a 6.5% discount rate. The program expects to receive contributions totaling $12,866 in Fiscal Year 2018. This amount has been classified as current contracts receivable on the Statement of Net Position. The total contract receivable balance is expected to be received over the next fifteen years.

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

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

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

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

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

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

(Continued)

(Dollars in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Tuition Obligation: The tuition obligation in the Illinois Prepaid Tuition Program represents the net contract face value for the 38,397 contracts held by the fund as of June 30, 2017, plus the actuarially-determined present value of future benefits the Program expects to provide to contract holders for all contracts.

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

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

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

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

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

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The Commission by statute (Illinois Prepaid Tuition Act, 110 ILCS 979) is required to appoint an investment advisory panel to offer advice and counseling regarding the investments of the Illinois Prepaid Tuition Program.

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

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

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

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

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

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

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

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

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

The Commission may direct that assets of the Program's Funds be placed in savings accounts or may use the same to purchase fixed or variable life insurance or annuity contracts, securities, evidence of indebtedness, or other investment products pursuant to the comprehensive investment plan and in such proportions as may be designated or approved under that plan.

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

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

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

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

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State law (30 ILCS 230/2C) requires that all deposits of public funds be covered by FDIC insurance or eligible collateral. The Commission has no policy that would further limit the requirements under State law. The Illinois Prepaid Tuition Program has no policy that would further limit the requirements under State law. As of June 30, 2017, the Illinois Prepaid Tuition Program's deposits held outside the State Treasury were not exposed to custodial credit risk.

Funds in the custody of the State Treasurer, or in transit, totaled $99,038 at June 30, 2017. These amounts are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Details on the nature of these deposits and investments, and the risks, are available within the State's Comprehensive Annual Financial Report.

At June 30, 2017, the Commission had no amounts that were uninsured and uncollateralized.

Investments: Other than the securities lending program administered by the State Treasurer, in which the Commission participates, all investments held by the Commission as of June 30, 2017, pertain to the Illinois Designated Account Purchase Program (IDAPP), and the Illinois Prepaid Tuition Program (College Illinois!®) fund, both of which are major enterprise funds.

Illinois Designated Account Purchase Program (IDAPP)

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

At June 30, 2017, IDAPP had money market funds of $17,818 and U.S. Treasury securities of $3,984; valued based on matrix pricing provided by the custodian (Level 2 inputs). Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk: IDAPP invests its funds in a manner that meets its cash flow needs while conforming to state statutes governing the investment of funds, including without limitation the Investment Act and all requirements/limitations of the various documents applicable to bonds and other securities issued by ISAC. The portfolio's maturity characteristics at June 30, 2017 are as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Government securities (U.S. Treasury bills/notes)	$ 3,984	0.4

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

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2017, IDAPP's investments were subject to credit risk (other than obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government which are not considered to have credit risk) as follows:

Investment Type	Fair Value	Rating Moody's
Money market funds	$ 13,834	Aaa-mf

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

The investment policy authorizes IDAPP to utilize a third party custodian (Trustee) to safe-keep the assets of the fund and to provide reports on a monthly basis to all necessary parties. The custodian is responsible for sweeping all interest and dividend payments and any other un-invested cash into a short-term government money market fund. IDAPP has no investments subject to custodial credit risk at June 30, 2017.

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

As of June 30, 2017, there were no investments that exceed 5% or more of IDAPP's total investment portfolio.

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

Illinois Prepaid Tuition Program

ISAC is required annually to adopt a comprehensive investment policy to invest the funds received through contract payments. The Commission approved the Illinois Prepaid Tuition Program's most recent revision to the investment policy in December 2016.

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

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

	Targets		Rebalancing Range	
Asset Allocation	Long-term	Interim	Lower Limit	Upper Limit
U.S. equity	22.00%	22.00%	19.00%	25.00%
Non-U.S. equity	20.00%	18.00%	15.00%	21.00%
Fixed income	25.00%	21.00%	18.00%	24.00%
High yield	3.00%	4.00%	3.00%	5.00%
REIT	5.00%	5.00%	3.00%	7.00%
Absolute return	9.00%	9.00%	7.00%	11.00%
Real estate	5.00%	9.00%	N/A	N/A
Infrastructure	5.00%	9.00%	N/A	N/A
Private equity	5.00%	2.00%	N/A	N/A
Cash	1.00%	1.00%	0.00%	4.00%

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

As of June 30, 2017, 22.8% of the funds were invested in Domestic Equities, 20.8% in Fixed Income, 19.2% in International Equities, 7.1% in Infrastructure Funds, 8.2% in Absolute Return Funds, 2.2% in Private Equity Funds, 7.7% in Real Estate, 4.6% in Real Estate Investment Trust, 4.6% in High Yield, and 2.8% in cash and equivalents.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

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

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

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

Private equity, real estate and infrastructure investment portfolios consist of passive interests in non-publicly traded companies. The Program had outstanding unfunded commitments of approximately $5,000 to private equity partnerships and $6,000 to infrastructure funds as of June 30, 2017.

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)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The Illinois Prepaid Tuition Program's cash recoverable taxes and investments at June 30, 2017 are presented below by investment type and by investment manager:

Investment Managers
Asset Allocation at June 30, 2017

Asset Class	Investment Manager	Fair Value	Asset Allocation
Large-cap core equity	Rhumbline Advisers	$ 81,852	9.04 %
All-cap core equity	Rhumbline Advisers	124,406	13.75
Total domestic equity		206,258	22.79
International equity	Ativo	83,651	9.24
International equity	Dimensional Fund Advisors	90,107	9.96
International equity recoverable taxes	Northern Trust	156	0.02
Total international equity		173,914	19.22
Fixed income - core plus	T. Rowe Price	66,892	7.39
Fixed income - passive core	State Street Global Advisors	66,436	7.34
Fixed income - U.S. intermediate	Garcia Hamilton	54,579	6.03
Total fixed income		187,907	20.76
High yield	DDJ Strategic Income Plus	41,589	4.60
Total high yield		41,589	4.60
REIT Preferred Growth	Security Capital Research	41,784	4.62
Total REIT		41,784	4.62
Real estate - private equity	Kennedy Wilson IV	11,061	1.22
Real estate - private equity	Mesirow	20,942	2.31
Real estate - private equity	Lyrical-Antheus	38,471	4.25
Total real estate		70,474	7.78
Infrastructure - diversified value add	Alinda Infrastructure	40,782	4.51
Infrastructure - Asia opportunities	JP Morgan AIRRO	23,517	2.60
Total infrastructure		64,299	7.11
Absolute return fund - conservative	Neuberger Berman	48,081	5.31
Absolute return fund - commodities	Pinnacle Natural Resources	25,718	2.84
Total absolute return funds		73,799	8.15
Private equity secondary FoFs	CM Growth Capital Partners LP	7,218	0.80
Private equity secondary FoFs	Morgan Stanley	5,811	0.64
Private equity secondary FoFs	Portfolio Advisors	6,888	0.76
Total private equity		19,917	2.20
Total investments		879,941	97.23
Cash and equivalents	Northern Trust	23,091	2.55
Cash and equivalents	Illinois Treasury and lock box	1,940	0.22
Total cash equivalents		25,031	2.77
Total portfolio		$ 904,972	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 certain investment managers 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 these investment managers amounted to $891 for the year ended June 30, 2017 and is accounted for in the Statement of Revenues, Expenses, and Changes in Net Position.

Investment Managers who fall into the above category are listed below:

- Rhumbline Advisers
- State Street Global Advisors
- Garcia Hamilton
- T. Rowe Price

For certain investment managers 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 2017 amounts to $2,711.

Investment Managers who fall into the second category above are listed below:

- Ativo
- Dimensional Fund Advisors
- Security Capital Research
- Neuberger Berman
- Pinnacle Natural Resources
- DDJ Strategic Income Plus

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.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

Approximately $2,339 in investment advisory fees are included in the amount reported for income from investments for the Fiscal Year ending June 30, 2017 in the Statement of Revenues, Expenses, and Changes in Net Position. Additionally, these amounts are reflected in the carrying value on the Statement of Net Position.

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

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

	Average Duration	Barclays U.S. Aggregate Bond Index	Barclays Capital Int. Government/ Credit Index
Garcia Hamilton	3.1 years	N/A	4.0 years
SSGA U.S. Aggregate Bond Index (common collective trust)	6.0 years	6.0 years	N/A
T. Rowe Price	5.9 years	6.0 years	N/A

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Portfolio Weighted Average Maturity

Portfolio Weighted Average

Investment Type	Fair Value	Weighted Average Maturity (in Years)
U.S. Treasury notes	$ 19,902	7.43
U.S. Treasury bonds	5,130	26.68
U.S. agency obligations	21,708	1.44
Index linked government bonds (U.S. Treasuries)	657	8.55
Bond common collective trust	66,436	8.26
Municipal/provincial bonds	1,636	14.07
Non U.S. government bonds denominated in U.S. dollars	464	7.86
Non U.S. government bonds denominated in foreign currency	1,716	7.51
Foreign government agencies denominated in U.S. dollars	188	3.34
Multi-sector funds	42,090	8.55
Government agency short-term bills and notes	500	0.05
Corporate debt securities	8,731	6.14
Corporate asset-backed securities	3,817	7.18
Mortgage back securities (MBS):		
Government agencies	11,208	12.20
Non-government backed	1,706	25.24
Commercial	1,712	30.97
Total fair value	$ 187,601	
Portfolio weighted average maturity		8.45

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

The following tables indicate credit ratings, as of June 30, 2017, 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, 2017

	Total Fair Value	Moody's**
Money marketing mutual funds	$ 23,091	NR
Illinois fund	312	NR
Bond common collective trust	66,436	NR
Multi-sector funds	42,090	NR
Government agency short-term bills and notes	500	NR
Non U.S. government bonds denominated in U.S. dollars	188	Baa

*NR - Not rated

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Ratings (Multiple-Rated Securities)
June 30, 2017

Rating Agency		Credit Rating*	Total Fair Value
Moody's	Commercial mortgage-backed	Aaa	$ 911
	Commercial mortgage-backed	Aa	104
	Commercial mortgage-backed	A	83
	Commercial mortgage-backed	NR	614
			1,712
Moody's	Corporate asset backed securities	Aaa	1,396
	Corporate asset backed securities	Aa	346
	Corporate asset backed securities	A	263
	Corporate asset backed securities	Baa	443
	Corporate asset backed securities	Ba	117
	Corporate asset backed securities	B	66
	Corporate asset backed securities	Caa	67
	Corporate asset backed securities	NR	1,119
			3,817
Moody's	Corporate bonds	Aa	500
	Corporate bonds	A	7,925
	Corporate bonds	Baa	56
	Corporate bonds	NR	250
			8,731
Moody's	Municipal/provincial bonds	Aaa	215
	Municipal/provincial bonds	Aa	927
	Municipal/provincial bonds	A	115
	Municipal/provincial bonds	NR	216
	Municipal/provincial bonds	WR	163
			1,636

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Ratings (Multiple-Rated Securities)
June 30, 2017

Rating Agency		Credit Rating	Total Fair Value
Moody's	Non-government backed CMOs	A	$ 42
	Non-government backed CMOs	Aaa	252
	Non-government backed CMOs	Ba	218
	Non-government backed CMOs	Ba	42
	Non-government backed CMOs	Caa	443
	Non-government backed CMOs	Ca	10
	Non-government backed CMOs	NR	699
			1,706
Moody's	Non-U.S. government bonds in U.S. dollars	A	263
	Non-U.S. government bonds in U.S. dollars	Ba	201
			464
Moody's	Non-U.S. government bonds in foreign currency	A	1,025
	Non-U.S. government bonds in foreign currency	NR	691
			1,716
Moody's	Mortgage-backed securities, government agencies	A	514
	Mortgage-backed securities, government agencies	Aa	121
	Mortgage-backed securities, government agencies	Baa	416
	Mortgage-backed securities, government agencies	B	31
	Mortgage-backed securities, government agencies	NR	10,126
			11,208
Moody's	U.S. agency obligations	A	16,380
	U.S. agency obligations	NR	5,328
			21,708

* NR - Not rated; WR - withdrawn

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

The Illinois Prepaid Tuition Program is not exposed to custodial credit risk at June 30, 2017.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

As of June 30, 2017, there were no investments subject to concentration of credit risk.

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

The Illinois Prepaid Tuition Program's investments in international equity are in compliance with the guidelines of the investment policy. As of June 30, 2017, 19.2% is invested in international equities.

Certain alternative investments denominated in U.S. dollars have underlying investments in other currencies including the Indian rupee and the South Korean won. Fluctuations in foreign exchange rates between the U.S. dollar and other currencies could have an effect on the amounts realized in U.S. dollars involving these investments. The Program has the following investments denominated in foreign currency.

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments Denominated in Foreign Currency
June 30, 2017
Fair Value in U.S. Dollars

Foreign Currency Denomination	Fixed Income	Pending Trades Fixed Income Investments	Totals
Mexican peso	$ 1,025	$ (676)	$ 349
New Israeli shekel	691	(688)	3
Total	$ 1,716	$ (1,364)	$ 352

Valuation: The Program categorizes its fair value measures within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs (see page 37); and leveling is not required for investments held at amortized cost. The Program has the following as of June 30, 2017:

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments Measured at Fair Value

Investments by fair value level	June 30, 2017	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	$ 19,902	$ -	$ 19,902	$ -
U.S. Treasury bonds	5,130	-	5,130	-
U.S. agency obligations	21,708	-	21,708	-
U.S. index linked government bonds	657	-	657	-
Municipal/provincial debt	1,636	-	1,636	-
Corporate debt securities	8,731	-	8,731	-
Corporate asset-backed securities	3,817	-	3,817	-
Foreign government bonds denominated in U.S. dollars	464	-	464	-
Foreign government agencies denominated in U.S. dollars	188	-	188	-
Foreign debt securities (non U.S. government bonds denominated in foreign currency)	1,716	-	1,716	-
Government agency short-term bills and notes	500	-	500	-
Commercial mortgage backed	1,712	-	1,712	-
Government mortgage backed	11,208	-	11,208	-
Multi-sector funds	42,090	-	42,090	-
Common collective trust	66,436	-	66,436	-
Non government backed CMO	1,706	-	1,706	-
Corporate equity securities	206,258	206,258	-	-
Foreign equity securities	90,107	90,107	-	-
Money market mutual funds	23,091	-	-	23,091
Cash and pending trades	1,670	-	-	1,670
Cash and pending trades in foreign currency	(1,364)	-	-	(1,364)
Equity in public treasurer's investment pool (Illinois Funds)	312	-	-	312
Total investments by fair value level	$ 507,675	$ 296,365	$ 187,601	$ 23,709

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments measured at the net asset value (NAV)	June 30, 2017
Real estate investment trust	$ 41,784
Real estate	70,474
Private equity	19,917
Infrastructure	64,299
Foreign equity	83,651
Absolute return	73,799
High yield fund	41,589
Total investment measured at the NAV	$ 395,513
Total investments measured at fair value or amortized cost	$ 903,188

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	$ 41,784	$ -	Quarterly	30 days notice
Real estate	70,474	-	N/A	N/A
Private equity	19,917	5,050	N/A	N/A
Infrastructure	64,299	6,122	N/A	N/A
Foreign equity	83,651		Monthly	15 days notice
Absolute return	73,799	-	Annual	65 and 180 days notice
High yield fund	41,589	-	Quarterly	60 days notice
Total investments measured at NAV	$ 395,513	$ 11,172		

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

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Real estate: This type includes four real estate funds that invest primarily in U.S. commercial and residential real estate. The fair values of the investments in this type have been determined using the NAV per share of the Program's ownership invest in partners' capital with the exception of Lyrical Antheus Realty Partners III, LP where the partners' capital which is recognized at cost basis on their financial statements has been adjusted to reflect the investment on a fair value basis (see Note 11 for details). These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next six years with 10%, 20% and 100% (varies by investment manager) within state Fiscal Year 2018.

Private equity: This type includes three private equity funds. One holds portfolio securities. A second fund acquires, holds and disposes of investments in secondary opportunities. The third fund invests in a diversified portfolio of private equity limited partnerships purchased in the secondary market. The fair values of the investments in this type have been determined using the NAV per share of the Program's ownership investment in partners' capital. These investments can never be redeemed within the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the funds. It is expected that the underlying assets of the funds will be liquidated over the next six years with 0% to 20% (varies by investment manager) within state Fiscal Year 2018.

Infrastructure: This type includes two infrastructure funds which invest in infrastructure and related assets in the United States, Asia and Europe. The fair values of the investments in this type have been determined using the NAV per share of the Program's ownership invest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next six years with 0% to 30% (varies by investment manager) within state Fiscal Year 2018.

Absolute return: This type includes two absolute return funds of funds. One targets consistent, positive absolute returns with minimal beta to major equity and fixed income markets. The other is a multi-manager fund in the global commodity and commodity related markets. The fair values of the investments in this type have been determined using the NAV per share of the Program's ownership invest in partners' capital. Both have annual liquidity with quarterly liquidity available for a fee. Both have fund level gate thresholds of 20% to 25% of fund assets. Both will withhold a percentage pending the completion of the annual audit. A five million redemption was initiated in July 2017 for distribution within 30 days following January 31, 2018.

High yield: This type seeks income and gains through trading and investing in securities. The fair value of the investment in this type has been determined using the NAV per share of the Program's ownership invest in partners' capital. Ninety percent of liquid securities are available within 30 days of quarter end with 60 days notice prior to quarter end. Up to 25% of the fund may be invested in illiquid securities. Ten percent of any withdrawal may be held until 30 days following the annual audit. As of June 30, 2017, $669 was held in a liquidating account related to prior redemptions.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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.

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

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

During Fiscal Year 2017, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

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

During the fiscal year, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investment made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. For the portion related to the Commission's non-major proprietary funds, namely the Federal Student Loan Fund and the Student Loan Operating Fund, securities lending collateral (invested in repurchase agreements) and the corresponding securities lending collateral obligation as of June 30, 2017 were $13,366 and $17,806, respectively.

(Continued)

NOTE 4 - STUDENT LOANS RECEIVABLE

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

All FFELP loans originated or purchased by IDAPP prior to October 1, 1993 are guaranteed at 100% by Guarantors in accordance with the Higher Education Act. For loans disbursed between October 1, 1993 and prior to July 1, 2006 the loans are guaranteed at 98%. Loans disbursed after July 1, 2006 are guaranteed at 97%. All guaranteed loans are reinsured by the United States Department of Education (ED). ED has issued detailed loan servicing requirements, which, if not strictly adhered to, may result in the loss of the loan guaranty. The United States Department of Education has also issued specific guidelines to provide for the cure of such servicing deficiencies and the reinstatement of the guaranty. For servicing contracts established with outside vendors, contractual provisions require the contractors to indemnify IDAPP for losses due to their negligence in loan servicing. Such recoveries will be recognized as income when received. There is $530 of student loans receivable that IDAPP has classified as defaulted loans under the FFEL Program. Claims on these loans have been submitted to, but have not been reimbursed by, the guarantee agencies as of June 30, 2017.

Alternative Loans are not guaranteed by Guarantors and are not eligible for reinsurance by ED. Alternative Loans are credit-based and a provision for loan loss is accrued for the amount of the loans estimated to be uncollectible. The total amount of Alternative Loans outstanding was $170,253 at June 30, 2017. Of this amount, $64,343 was recorded as a provision for loan losses.

Management has identified loans that may not be reimbursed by the guarantor or collected from the student. Accordingly, management has established an allowance for possible loan losses totaling $66,619 as of June 30, 2017. This amount includes the alternative loans addressed above.

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

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

The cash balance in this fund as of June 30, 2017 as reported by ISAC was $42,232. Restricted net position, which includes $18,640 of claims in process, was $43,712. If the federal reinsurance percentage applied to guarantors was temporarily reduced from 97% to either 85% or 75% (for loans disbursed after October 1, 1998) due to excessive default claims and if the State's pledge of full faith and credit were found to be ineffective, then the full collectability of the non-federal reinsurance amount (i.e., 3% to 25%) of the IDAPP's net FFELP student loans receivable of $257,247 at June 30, 2017 is subject to the adequacy of the annual appropriation from the Illinois Student Assistance Commission Federal Student Loan Fund and the reserve funds of the other Guarantors to pay defaulted loan claims. However, based on past loan default experience, management believes that material losses will not be incurred.

(Continued)

(Dollars in thousands)

NOTE 5 - FEDERAL SPECIAL ALLOWANCE AND INTEREST SUBSIDY

The Federal government pays IDAPP (interest subsidy) or IDAPP owes the federal government (excess interest) an interest amount on certain student loans during the time that the student is enrolled in an eligible educational institution or qualifies for deferment status. The federal interest payable at June 30, 2017 was $534.

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

Federal interest benefits	$	868
Special allowance payments (interest subsidy)		408
Excess interest		(4,198)
Net expense incurred to DOE	$	(2,922)

NOTE 6 - INTERFUND BALANCES AND ACTIVITY

Balances Due To/From Other Funds: The balances at June 30, 2017 represent amounts due from other ISAC and State funds and component units as follows:

Fund	Due from Primary Government Funds ISAC	Due from Primary Government Funds Other State	Due From Component Units	Description/Purpose
Nonmajor Enterprise - Student Loan Operating	$ 2,053	$ -	$ -	Due from IDAPP Fund for shared services
	284	-	-	Due from Illinois Prepaid Tuition Fund for shared services
	-	92	-	Due from DOIT for services provided.
	-	33	-	Due from IBHE for services provided.
	-	11	-	Due from IDES for services provided.
	-	185	-	Due from IDHS for services provided.
	-	11	-	Due from Department of Veterans' Administration for rent and expenses.
	-	170	-	Due from Central Management Services (on behalf of DCFS) for rent and expenses
	-	2	-	Due from Healthcare and Family Services for rent and expenses
	2,337	504	-	
	$ 2,337	$ 504	$ -	

(Continued)

(Dollars in thousands)

NOTE 6 - INTERFUND BALANCES AND ACTIVITY (Continued)

The balances at June 30, 2017 represent amounts due to other ISAC and State funds and component units as follows:

	Due to Primary Government Funds		Due To Component Units	
Fund	ISAC	Other State	Units	Description/Purpose
Illinois Designated Account Purchase program	$ 2,053	$ -	$ -	Due to Student Loan Operating Fund for shared services
	2,053	-	-	
Nonmajor Enterprise - Student Loan Operating	-	197	-	Due to Central Management Services for EDP, communications
	-	197	-	and garage fund
Illinois Prepaid Tuition Program	284	-	-	Due to Student Loan Operating Fund for shared services
	-	-	82	Due to State universities for payment of tuition contracts
	284	-	82	
	$ 2,337	$ 197	$ 82	

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities				
Capital assets not being depreciated:				
Land	$ 2,700	$ -	$ -	$ 2,700
Capital assets being depreciated:				
Buildings	19,229	-	-	19,229
Equipment	51	-	-	51
Total capital assets being depreciated	19,280	-	-	19,280
Less accumulated depreciation:				
Buildings	(11,307)	(504)	-	(11,811)
Equipment	(50)	(1)	-	(51)
Total accumulated depreciation	(11,357)	(505)	-	(11,862)
Total capital assets being depreciated, net	7,923	(505)	-	7,418
Governmental activities capital assets, net	$ 10,623	$ (505)	$ -	$ 10,118

(Continued)

(Dollars in thousands)

NOTE 7 - CAPITAL ASSETS (Continued)

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Business-type activities				
Illinois Designated Account Purchase Program Fund:				
Capital assets being depreciated				
Equipment	$ 224	$ -	$ -	$ 224
Less accumulated depreciation				
Equipment	(224)	-	-	(224)
Total capital assets being depreciated, net	-	-	-	-
Nonmajor Enterprise Funds:				
Capital assets not being depreciated				
Construction in progress	-	-	-	-
Capital assets being depreciated				
Equipment and automobiles	679	162	(113)	728
Internally generated software	3,357	-	-	3,357
Less accumulated depreciation				-
Equipment and automobiles	(379)	(101)	113	(367)
Internally generated software	(1,260)	(336)	-	(1,596)
Total capital assets being depreciated, net	2,397	(275)	-	2,122
Business-type activities capital assets, net	$ 2,397	$ (275)	$ -	$ 2,122

Depreciation expense for governmental activities on the Government-wide Statement of Activities for the year ended June 30, 2017 amounted to $505. Of that amount, 100% was charged to the Scholarships, awards and grants function.

(Continued)

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

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

The indenture has a provision that any excess cash in the trust is used to pay down the principal amount of the Notes. The Class A-1 tranche has been paid off. $225,025 of the Class A-2 tranche has been paid off leaving a balance of $43,975. The total principal and interest remaining to be paid on the bonds is approximately $291,701. IDAPP has until the stated maturity dates to retire the principal amounts owed on these bonds. As such, liabilities related to these bonds are reported as noncurrent. IDAPP however will pay principal amounts in advance of that date (without penalty) as collections on the resulting student loans are received into the trust. As of June 30, 2017 variable interest rates were 2.20622% and 2.05622% for the LIBOR FRN Class A-2 and A-3, respectively.

Annual principal and interest payments on the bonds are expected to require approximately 98 percent of the related student loan collections. Principal and interest paid for the current year were $34,836 and $3,978, respectively. Total related student loan principal and interest received were $37,889 and $6,075, respectively.

As a result of the issuance of the LIBOR Floating Rate Notes and the purchase and cancellation of the remaining outstanding 2002 bonds during Fiscal Year 2011, a deferred amount on refunding of $70,320 was recorded. This amount is being amortized over the weighted average life of the LIBOR Floating Rate Notes of 16 years. The portion attributable to Fiscal Year 2017 is $4,043. Amortization is included as a reduction of interest expense on the Statement of Revenues, Expenses, and Changes in Fund Net Position.

(Continued)

(Dollars in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE (Continued)

Changes in Long-Term Obligations: Changes in long-term obligations for the year ended June 30, 2017, were as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due Within One Year
Business-type activities					
Illinois Designated Account Purchase Program Fund:					
Revenue bonds/notes payable:					
Series 2010, Class A-2	$ 78,811	$ -	$ (34,836)	$ 43,975	$ -
Series 2010, Class A-3	154,000	-	-	154,000	-
Unamortized discounts	(6,050)	-	208	(5,842)	-
Other long-term obligations					
Compensated absences	76	22	(63)	35	4
Total Illinois Designated Account Purchase Program	226,837	22	(34,691)	192,168	4
Illinois Prepaid Tuition Program					
Tuition obligation	1,230,799	148,646	(143,731)	1,235,714	152,764
Total Illinois Prepaid Tuition Program	1,230,799	148,646	(143,731)	1,235,714	152,764
Nonmajor Enterprise Fund:					
Compensated absences	1,802	1,337	(1,212)	1,927	192
Total Nonmajor Enterprise Fund	1,802	1,337	(1,212)	1,927	192
Total Business-type activities Long-term obligations, net	$ 1,459,438	$ 150,005	$ (179,634)	$ 1,429,809	$ 152,960

(Continued)

(Dollars in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE (Continued)

Future Maturities of Revenue Bonds and Notes: IDAPP issued bonds and notes to provide funds for student loan originations and purchases. IDAPP pledges the income derived from its assets to pay debt service. The majority of IDAPP's outstanding revenue bonds and notes are comprised of variable rate debt. As such, the interest figures shown below are calculated assuming the interest rate in effect on June 30, 2017. Actual interest paid in future years could be materially different.

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

Year Ending June 30	Principal	Interest	Total
2018	$ -	$ 4,137	$ 4,137
2019	-	4,137	4,137
2020	-	4,137	4,137
2021	-	4,137	4,137
2022	43,975	4,137	48,112
2023-2027	-	15,833	15,833
2028-2032	-	15,833	15,833
2033-2037	-	15,833	15,833
2038-3042	-	15,833	15,833
2043-2046	154,000	9,709	163,709
	197,975	$ 93,726	$ 291,701
Plus (minus) Unamortized discounts	(5,842)		
Net long-term principal outstanding	$ 192,133		

(Continued)

(Dollars in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE (Continued)

Tuition Obligation: The tuition obligation is management's estimate of the present value of the estimated tuition payments to be made and is expected to be financed from investments of prepaid tuition contracts. The estimate for the future tuition obligation is based on a closed group projection for existing contracts assuming no new contract sales after June 30, 2017. See actuarial assumptions and additional information in Note 13.

Tuition obligation activity for the year ended June 30, 2017, is as follows:

Balance, July 1, 2016	$	1,230,799
Add:		
Contributions received in FY 2017		23,258
Change in contracts receivable, at present value*		(5,210)
Adjust tuition obligation based on actuarial valuation		130,598
Less:		
Return of contributions		(18,216)
Tuition payments		(125,515)
Balance as of June 30, 2017 **	$	1,235,714
Reported as:		
Current	$	152,764
Noncurrent		1,082,950
	$	1,235,714

* Discount rate used in determining fair value was 6.50%.

** 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. A change in investment return assumption and related discount for liabilities from a static percentage to a "select and ultimate" rate structure contributed to the increase in the tuition obligation compared to the balance at June 30, 2017. Accreted tuition expense is reflected as an expense in the Statement of Revenues, Expenses, and Changes in Net Position and as an increase (or decrease) to the tuition obligation on the Statement of Net Position.

(Continued)

(Dollars in thousands)

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

On July 27, 2007, ISAC entered into a Three-Year Asset Backed Revolving Credit Facility (the "Facility") through an affiliate of Citibank (the "Lender") pursuant to which ISAC has borrowed funds for the purpose of purchasing certain student loans. Advances made under the Facility are secured by a portfolio of student loans (the "Collateral"), which were largely financed with proceeds of the advances. Amounts due under the Facility constitute limited obligations of ISAC, payable solely and only from the Collateral and the revenues derived therefrom. The costs of borrowing under the Program will not exceed Citibank's commercial paper rate. The rate at June 30, 2017 was 1.0505%.

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

Under the terms of the agreement all revenues generated by the underlying student loan portfolio are transferred to a trust. The trust pays all expenses related to the debt service and student loan servicing costs (capped at 65 basis points of the outstanding average balance in the portfolio). During Fiscal Year 2017 there was $21,359 in principal and $5,086 in interest collected all of which was transferred to the trust. During the same period the trust paid $1,567 for interest expense and other professional fees and $1,288 for servicing fees.

Changes in the revolving credit line are as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due Within One Year
Citibank	$ 158,257	$ -	$ (22,800)	$ 135,457	$ 135,457

NOTE 10 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and natural disasters. The State retains the risk of loss (i.e., self-insured) for these risks except for insurance purchased by the Commission for the building and EDP equipment. There has been no reduction in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded coverage for the current or prior two fiscal years. The Commission's risk management activities for workers' compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Commission and accordingly, have not been reported in the Commission's financial statements for the year ended June 30, 2017.

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

(Continued)

(Dollars in thousands)

NOTE 11 - DEFINED BENEFIT PENSION PLAN

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

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

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

Regular Formula Tier 1	Regular Formula Tier 2
A member must have a minimum of eight years of service credit and may retire at: • Age 60, with 8 years of service credit. • Any age, when the member's age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with eight years of credited service. • Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60). The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service.	A member must have a minimum of 10 years of credited service and may retire at: • Age 67, with 10 years of credited service. • Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67). The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of $106.8. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.

(Continued)

(Dollars in thousands)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Regular Formula Tier 1	Regular Formula Tier 2
Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement. If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.	If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2016 rate is $111.6. If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.

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

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

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

Contributions: Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed $106.8 with limitations for future years increased by the lessor of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2017, this amount was $112.4.

(Continued)

(Dollars in thousands)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

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

For Fiscal Year 2017, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For Fiscal Year 2017, the employer contribution rate was 44.568%. The Commission's contribution amount for Fiscal Year 2017 was $4,318.

SERS made contributions from the General Revenue Fund (GRF) in the amount of $1,105 on behalf of the Commission in Fiscal Year 2017.

Pension liability, deferred outflows of resources, deferred inflows of resources and expense related to pensions: At June 30, 2017, the Commission reported a liability of $106,259 for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2016 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's portion of the net pension liability was based on the Commission's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2016. As of the current year measurement date of June 30, 2016, the Commission' proportion was 0.31%, which was a decrease of 0.01% from its proportion measured as of the prior year measurement date of June 30, 2015.

For the year ended June 30, 2017, the Commission recognized pension expense of $9,618. At June 30, 2017, the Commission reported deferred outflows and deferred inflows of resources related to the pension liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 163	$ 2,599
Changes in assumptions	16,333	-
Net difference between projected and actual investment earnings on pension plan investments	2,256	-
Changes in proportion	22,275	30,663
Commission contributions subsequent to the measurement date	5,423	-
Total	$ 46,450	$ 33,262

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

$5,423 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

Year Ended June 30,	Amount
2018	$ 1,920
2019	1,430
2020	2,221
2021	2,194
Total	$ 7,765

Actuarial Methods and Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality:	105 percent of the RP2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added.
Inflation:	2.75%
Investment Rate of Return:	7.00%, net of pension plan investment expense, including inflation.
Salary increases:	Salary increase rates based on age related productivity and merit rates plus inflation.
	Post-retirement benefit increases of 3.00%, compounded, for Tier 1 and the lessor of 3.00% or one-half of the annual increase in the Consumer Price Index for Tier 2.
Retirement Age:	Experience-based table of rates specific to the type of eligibility condition. Table was last updated for the June 30, 2014, valuation pursuant to an experience study of the period July 1, 2009 to June 30, 2013.

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

The long-term expected real rate of return on pension plan investments was determined based on the simulated average 20-year annualized geometric return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2016, the best estimates of the geometric real rates of return as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	23 %	5.80 %
Developed Foreign Equity	13	6.10
Emerging Market Equity	7	8.50
Private Equity	9	7.40
Hedge Funds	3	3.60
Intermediate Investment Grade Bonds	11	1.60
Long-term Government Bonds	3	1.60
TIPS	5	1.30
High Yield and Bank Loans	5	4.80
Opportunistic Debt	4	4.80
Emerging Market Debt	2	4.10
Real Estate	10	4.50
Infrastructure	5	5.90
	100 %	5.04 %

Discount Rate: A discount rate of 6.64% was used to measure the total pension liability as of the measurement date of June 30, 2016 as compared to a discount rate of 7.02% used to measure the total pension liability as of the prior year measurement date. The June 30, 2016 single blended discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.85%, based on an index of 20 year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2072. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2072, and the municipal bond rate was applied to all benefit payments after that date.

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

(Dollars in thousands)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

	1% Decrease 5.64%	Discount Rate 6.64%	1% Increase 7.64%
Commission's proportionate share of the net pension liability	$128,244	$106,259	$88,318

Payables to the pension plan: At June 30, 2017, the Commission reported a payable of $6 to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2017.

NOTE 12 - POST-EMPLOYMENT BENEFITS

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

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

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

NOTE 13 - FUND BALANCES AND NET POSITION

Deficit in Fund Net Position: As of June 30, 2017, the Illinois Prepaid Tuition Program has a deficit in net position of $286,393. 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, 2017.

Unfunded liability per actuarial soundness report	$ (320,237)
Present value of accrued future administrative expense	35,493
Other accrued liabilities	(1,649)
Fund deficit per Statement of Net Position	$ (286,393)

(Continued)

(Dollars in thousands)

NOTE 13 - FUND BALANCES AND NET POSITION (Continued)

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

Gabriel, Roeder, Smith and Company, the independent actuarial firm retained by College Illinois!®, has performed an actuarial soundness valuation of College Illinois!®, the State's section 529 prepaid tuition program, as of June 30, 2017 to evaluate the financial viability of the program as of June 30, 2017. The complete Actuarial Soundness Report as of June 30, 2017 is included in the Other Information Section.

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

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

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

APV of future benefits obligation*	$ 1,235,714
Funded ratio	73.90%
Actuarial assumptions:	
Actuarial valuation date	June 30, 2017
Assumed net investment return	6.5% in FY 18 then grading down in annual increments of 0.393 to an ultimate investment rate of 3.75 percent for fiscal years on and after 2025
Rates of cancelation	Varies according to years from projected college entrance year
Tuition increase all contract types:	
All future years	5.00%

* For all existing contracts as of June 30, 2017

NOTE 13 - FUND BALANCES AND NET POSITION (Continued)

The actuarial present value of the future benefits obligation increased by approximately $5 million compared to the balance reported at June 30, 2016. Contributing to the overall increase was a change in investment return assumption and related discount rate for liabilities from a static percent to a “select and ultimate” rate structure.

Restrictions and Commitments: As of June 30, 2017, the Commission reported the following net position restrictions and fund balance commitments:

The Illinois Designated Account Purchase Program reported $16,657 of net position restricted for debt service. The Federal Student Loan Fund reported $43,712 of net position restricted for federal programs (loan guarantees). The Contract and Grant Fund reported $3 in fund balance restricted per terms of grant. The ISAC Accounts Receivable Fund, the Golden Apple Scholars Fund, University Grant Fund and the Contract and Grant Fund reported $95, $32, $109 and $18, respectively, in fund balance committed for scholarships, awards and grants.

NOTE 14 - OPERATING LEASES

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

Expenses for all operating leases amounted to $91 in 2017. There are no future minimum rental commitments for non-cancelable operating leases to be satisfied by future Commission appropriations.

NOTE 15 - BUDGET IMPASSE AND APPROPRIATIONS FOR SCHOLARSHIPS AND GRANT AWARDS

Public Act 99- 0502 was passed in April 2016 authorizing the Commission to pay Monetary Award Program (MAP) scholarships for $169,799 from State General Funds for Fiscal Year 2016. These expenditures were recognized in Fiscal Year 2016 in the agency’s financial statements.

As a result of a budget impasse at the State level, through Public Act 99-0524 the Commission received stop-gap appropriations of $151,000 from the Fund for Advancement of Education for payments towards the MAP scholarships and $3,762 from State General Funds for other scholarships. Public Act 99-0524, which was enacted effective June 30, 2016, allowed the Commission to pay Fiscal Year 2016 expenses for scholarship awards using the Fiscal Year 2017 appropriation. In accordance with the terms of the appropriation, the Commission submitted vouchers to the Illinois State Comptroller for MAP and other scholarship awards for the 2016 school year using the Fiscal Year 2017 appropriation authority. Based on guidance from GASB Statement No 33, Paragraph 74 a government does not have to recognize a liability under a particular program, and a recipient does not have a receivable, unless an appropriation for that program exists and the period to which the appropriation applies has begun. Accordingly, this appropriation and the associated expenditures for MAP and other scholarships is therefore recognized in Fiscal Year 2017. The amounts shown above are presented in thousands.

NOTE 15 - BUDGET IMPASSE AND APPROPRIATIONS FOR SCHOLARSHIPS AND GRANT AWARDS (Continued)

Additionally, for Fiscal Year 2017 Public Act 100-0021 was passed by the Illinois General assembly and signed by the Governor with an effective date of July 6, 2017. The Commission received appropriation of over $376 million from State General Funds for MAP and other scholarships. Eligibility requirements relating to non-exchange transactions and related time requirements are discussed in paragraph 20 and 74 of GASB Statement No. 33. The Commission believes that appropriations as set forth in P.A.100-0021 did not exist as of June 30, 2017, and has therefore not recorded a liability for Fiscal Year 2017 grant award payments at June 30, 2017 for MAP and other scholarships amounting to over $376 million. The appropriation and related expenditures will be recognized in Fiscal Year 2018.

NOTE 16 - NEW GOVERNMENTAL ACCOUNTING STANDARDS

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

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

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

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR GOVERNMENTAL FUND
GENERAL FUND - BUDGETARY BASIS
Year Ended June 30, 2017
(Dollars in thousands)

	Budgeted Amounts		Actual	Actual Amounts	Variance From
	Original	Final	Amount	GAAP Basis	Final Budget
Revenues (inflows)					
Appropriations from State resources and other revenues					
General revenue account	$ 87,097	$ 87,097	$ 1,368	$ 1,368	$ (85,729)
Education assistance account	301,474	301,474	3,617	3,617	(297,857)
Combined totals	388,571	388,571	4,985	4,985	(383,586)
Expenditures (outflows)					
Education					
Program, administration, and capital outlay					
General revenue account	87,097	87,097	2,580	2,580	84,517
Education assistance account	301,474	301,474	3,617	3,617	297,857
Combined totals	388,571	388,571	6,197	6,197	382,374
Net change in fund balance	$ -	$ -	(1,212)	(1,212)	$ (1,212)
Fund balance, July 1, 2016			5,808	5,808	
Fund balance, June 30, 2017			$ 4,596	$ 4,596	

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

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

Actual revenue amounts on the budgetary basis	$ 1,368
Total revenues on the GAAP basis	$ 1,368

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING SCHEDULES OF ACCOUNTS
GENERAL FUND
June 30, 2017
(Dollars in thousands)

	General Revenue Account	Educational Assistance Account	Total
ASSETS			
Notes receivable, net of allowance of $30,792	$ 4,596	$ -	$ 4,596
Total assets	$ 4,596	$ -	$ 4,596
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	$ -	$ -	$ -
Fund balances			
Nonspendable, notes receivable	4,596	-	4,596
Total liabilities and fund balances	$ 4,596	$ -	$ 4,596

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
Year Ended June 30, 2017
(Dollars in thousands)

	General Revenue Account	Educational Assistance Account	Total
Expenditures			
Education			
Scholarship, awards and grants	$ 2,580	$ 3,617	$ 6,197
Deficiency of revenues over expenditures	(2,580)	(3,617)	(6,197)
Other sources (uses) of financial resources			
Appropriations from State resources	87,097	301,474	388,571
Lapsed appropriations	(21,528)	(3,443)	(24,971)
Receipts remitted to (from) State Treasury	(65,357)	(294,414)	(359,771)
SERS on behalf contribution	1,156	-	1,156
Net other sources (uses) of financial resources	1,368	3,617	4,985
Net change in fund balances	(1,212)	-	(1,212)
Fund balance, July 1, 2016	5,808	-	5,808
Fund balance, June 30, 2017	$ 4,596	$ -	$ 4,596

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017
(Dollars in thousands)

	Special Revenue Funds		
	ISAC Accounts Receivable	Advancement of Education	John R. Justice Grant
ASSETS			
Unexpended appropriation	$ -	$ (4)	$ -
Cash and cash equivalents	96	-	-
Receivables			
Other	-	4	-
Total assets	$ 96	$ -	$ -
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	$ 1	$ -	$ -
Unearned revenue	-	-	-
Total liabilities	1	-	-
Fund balances			
Restricted	-	-	-
Committed	95	-	-
Total fund balances	95	-	-
Total liabilities and fund balances	$ 96	$ -	$ -

	Special Revenue Funds						Debt Service Fund	Total
Gear Up Grant	Golden Apple Scholars	University Grant	Contract and Grant	Optometric Education	Total	ISAC COP	Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ (4)	-	(4)
-	34	111	38	-	279	$ -	$ 279
21	-	-	-	-	25	-	25
$ 21	$ 34	$ 111	$ 38	$ -	$ 300	$ -	$ 300
$ 21	$ -	$ -	$ 17	$ -	$ 39	$ -	$ 39
-	2	2	-	-	4	-	4
21	2	2	17	-	43	-	43
-	-	-	3	-	3	-	3
-	32	109	18	-	254	-	254
-	32	109	21	-	257	-	257
$ 21	$ 34	$ 111	$ 38	$ -	$ 300	$ -	$ 300

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2017
(Dollars in thousands)

	Special Revenue Funds		
	ISAC Accounts Receivable	Advancement of Education	John R. Justice Grant
Revenues			
Federal government	$ -	$ -	$ 53
Other	209	-	-
Total revenues	209	-	53
Expenditures			
Education			
Scholarships, awards and grants	165	150,911	53
Salaries and employee benefits	68	-	-
Total expenditures	233	150,911	53
Excess (deficiency) of revenues over expenditures	(24)	(150,911)	-
Other sources (uses) of financial resources			
Appropriations from State resources	-	150,911	-
Net other sources (uses) of financial resources	-	150,911	-
Net change in fund balances	(24)	-	-
Fund balance, July 1, 2016	119	-	-
Fund balance, June 30, 2017	$ 95	$ -	$ -

	Special Revenue Funds						Debt Service Fund	Total Nonmajor Governmental Funds
	Gear Up Grant	Golden Apple Scholars	University Grant	Contract and Grant	Optometric Education	Total	ISAC COP	
	$ 264	$ -	$ -	$ -	$ -	$ 317	$ -	$ 317
	-	49	97	48	-	403	-	403
	264	49	97	48	-	720	-	720
	264	105	90	27	50	151,665	-	151,665
	-	-	-	-	-	68	-	68
	264	105	90	27	50	151,733	-	151,733
	-	(56)	7	21	(50)	(151,013)	-	(151,013)
	-	-	-	-	50	150,961	-	150,961
	-	-	-	-	50	150,961	-	150,961
	-	(56)	7	21	-	(52)	-	(52)
	-	88	102	-	-	309	-	309
	$ -	$ 32	$ 109	$ 21	$ -	$ 257	$ -	$ 257

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2017
(Dollars in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Eliminations	Total
ASSETS				
Current				
Cash and cash equivalents	$ 55,054	$ 42,232	$ -	$ 97,286
Receivables				
Intergovernmental	523	18,640	-	19,163
Accrued interest on investments	54	41	-	95
Securities lending collateral	17,806	13,366	-	31,172
Due from other State funds	504	-	-	504
Due from other ISAC funds	2,337	-	-	2,337
Due from Federal Student Loan funds	791	-	(791)	-
Due from Student Loan Operating fund	-	466	(466)	-
Total current assets	77,069	74,745	(1,257)	150,557
Non-current				
Capital assets, net of accumulated depreciation	2,122	-	-	2,122
Due from Student Loan Operating fund	-	754	(754)	-
Total non-current assets	2,122	754	(754)	2,122
Total assets	79,191	75,499	(2,011)	152,679
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	15,317	-	-	15,317
Total assets and deferred outflows of resources	$ 94,508	$ 75,499	$ (2,011)	$ 167,996
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$ 916	$ 10,109	$ -	$ 11,025
Due to Federal Student Loan fund	466	-	(466)	-
Due to Student Loan Operating fund	-	791	(791)	-
Due to other State funds	197	-	-	197
Securities lending collateral obligation	17,806	13,366	-	31,172
Due to U.S. Department of Education	-	7,521	-	7,521
Compensated absences	192	-	-	192
Total current liabilities	19,577	31,787	(1,257)	50,107
Non-current				
Due to Federal Student loan fund	754	-	(754)	-
Net pension liability	57,364	-	-	57,364
Compensated absences	1,735	-	-	1,735
Total current liabilities	59,853	-	(754)	59,099
Total liabilities	79,430	31,787	(2,011)	109,206
DEFERRED INFLOWS OF RESOURCES				
Pension related amounts	25,939	-	-	25,939
NET POSITION				
Net investment in capital assets	2,122	-	-	2,122
Restricted	-	43,712	-	43,712
Unrestricted	(12,983)	-	-	(12,983)
Total net position	(10,861)	43,712	-	32,851
Total liabilities, deferred inflows of resources and net position	$ 94,508	$ 75,499	$ (2,011)	$ 167,996

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2017
(Dollars in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Operating revenues			
Portfolio maintenance fees	$ 2,167	$ -	$ 2,167
Direct consolidation fees	8,152	-	8,152
Rehabilitation sales to the U.S. Department of Education	7	-	7
Collections on student loans previously reimbursed by the U.S. Department of Education	-	20,909	20,909
Other	1,037	-	1,037
Total operating revenues	11,363	20,909	32,272
Operating expenses			
Salaries and employee benefits	13,331	-	13,331
Pension expenses	(2,069)	-	(2,069)
Loan guarantees	-	131,593	131,593
Management and professional services	10,808	-	10,808
Depreciation	437	-	437
Total operating expenses	22,507	131,593	154,100
Operating loss	(11,144)	(110,684)	(121,828)
Non-operating revenues			
Federal government	-	132,188	132,188
Interest revenue	455	319	774
Total non-operating revenue	455	132,507	132,962
Income (loss) before transfers	(10,689)	21,823	11,134
Transfers for:			
Collection retention fees	2,620	(2,620)	-
Repurchases/rehabilitations/consolidation retention fees	19,151	(19,151)	-
Direct consolidation fee refund	(3,750)	3,750	-
Default aversion fees	177	(177)	-
Net transfers	18,198	(18,198)	-
Change in net position	7,509	3,625	11,134
Net Position, July 1, 2016	(18,370)	40,087	21,717
Net Position, June 30, 2017	$ (10,861)	$ 43,712	$ 32,851

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year ended June 30, 2017
(Dollars in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Cash flows from operating activities			
Cash received from fees and other charges	$ 10,888	$ 118,412	$ 129,300
Cash payments to suppliers for goods and services	(5,846)	-	(5,846)
Cash payments to employees for services	(17,374)	-	(17,374)
Cash payments for loan guarantees	-	(134,162)	(134,162)
Cash payments for other operating activities	(4,571)	(95,727)	(100,298)
Net cash provided (used) by operating activities	(16,903)	(111,477)	(128,380)
Cash flows from noncapital financing activities			
Federal government grants	-	137,432	137,432
Transfers in	21,885	3,543	25,428
Transfers out	(3,543)	(21,885)	(25,428)
Net cash provided (used) by noncapital financing activities	18,342	119,090	137,432
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(162)	-	(162)
Cash flows from investing activities			
Interest and dividends on investments	427	295	722
Increase (decrease) in cash and cash equivalents	1,704	7,908	9,612
Cash and cash equivalents, July 1, 2016	53,350	34,324	87,674
Cash and cash equivalents, June 30, 2017	$ 55,054	$ 42,232	$ 97,286
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	$ (11,144)	$ (110,684)	$ (121,828)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	437	-	437
Change in assets and liabilities			-
Intergovernmental receivables	59	-	59
Due from other State funds	(159)	12	(147)
Due from State of Illinois component units	-	-	-
Accounts payable and accrued liabilities	268	(1,265)	(997)
Intergovernmental payables	-	460	460
Due to other State funds and component units	(220)	-	(220)
Due to other ISAC funds	(12)	-	(12)
Compensated absences	125	-	125
Deferred inflows related to pensions	(9,368)	-	(9,368)
Deferred outflows related to pensions	(8,320)	-	(8,320)
Net pension liability	11,431	-	11,431
Total adjustments	(5,759)	(793)	(6,552)
Net cash provided (used) by operating activities	$ (16,903)	$ (111,477)	$ (128,380)

OTHER INFORMATION

College Illinois!® Prepaid Tuition Program

Actuarial Soundness Valuation Report as of June 30, 2017

GRS Retirement Consulting
P: 312.456.9800 | F: 312.683.3271 | www.grsconsulting.com

November 1, 2017

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

Re: College Illinois!® Prepaid Tuition Program Actuarial Valuation as of June 30, 2017

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, 2017. 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, 2017.

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, 2017, with the value of the assets associated with the program as of that same date;
- An analysis of the factors which caused the deficit/surplus to change since the prior actuarial valuation; and
- A summary of the actuarial assumptions and methods utilized in the actuarial calculations.

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

The 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, 2017, and does not reflect subsequent market volatility.

The actuarial soundness valuation results summarized in this report involve actuarial calculations that require assumptions about future events. Most of the actuarial assumptions 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. Beginning with the actuarial valuation as of June 30, 2017, the investment return assumption and related discount rate for liabilities was decreased from a static 6.75 percent to a “select and ultimate” rate structure beginning with a rate of 6.50 percent in fiscal year 2018 and grading down to the ultimate rate of 3.75 percent in fiscal years on and after 2025. First effective with the actuarial soundness valuation as of June 30, 2017, the calculation of the total administrative expenses related to marketing was changed from an assumption of 12 percent of total administrative expenses to incorporate actual marketing expenses in the prior fiscal year, as provided by ISAC. 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. The major actuarial assumptions used in this analysis were provided by and are the responsibility of ISAC.

Considering the current asset allocation, liquidity requirements and deferment of the next enrollment period, we believe the net investment rate of return assumption of 6.50 percent in fiscal year 2018 grading down to 3.75 percent in 2025, on a select and ultimate basis, is consistent with applicable Actuarial Standards of Practice.

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

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

To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the College Illinois!® Prepaid Tuition Program as of June 30, 2017. All calculations have been made in conformity with generally accepted actuarial principles and practices commonly applicable to similar types of arrangements.

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

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

Respectfully submitted,

SIGNED ORIGINAL ON FILE

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

SIGNED ORIGINAL ON FILE

Amy Williams, ASA, MAAA, FCA
Consultant

SIGNED ORIGINAL ON FILE

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

Contents

SECTION A

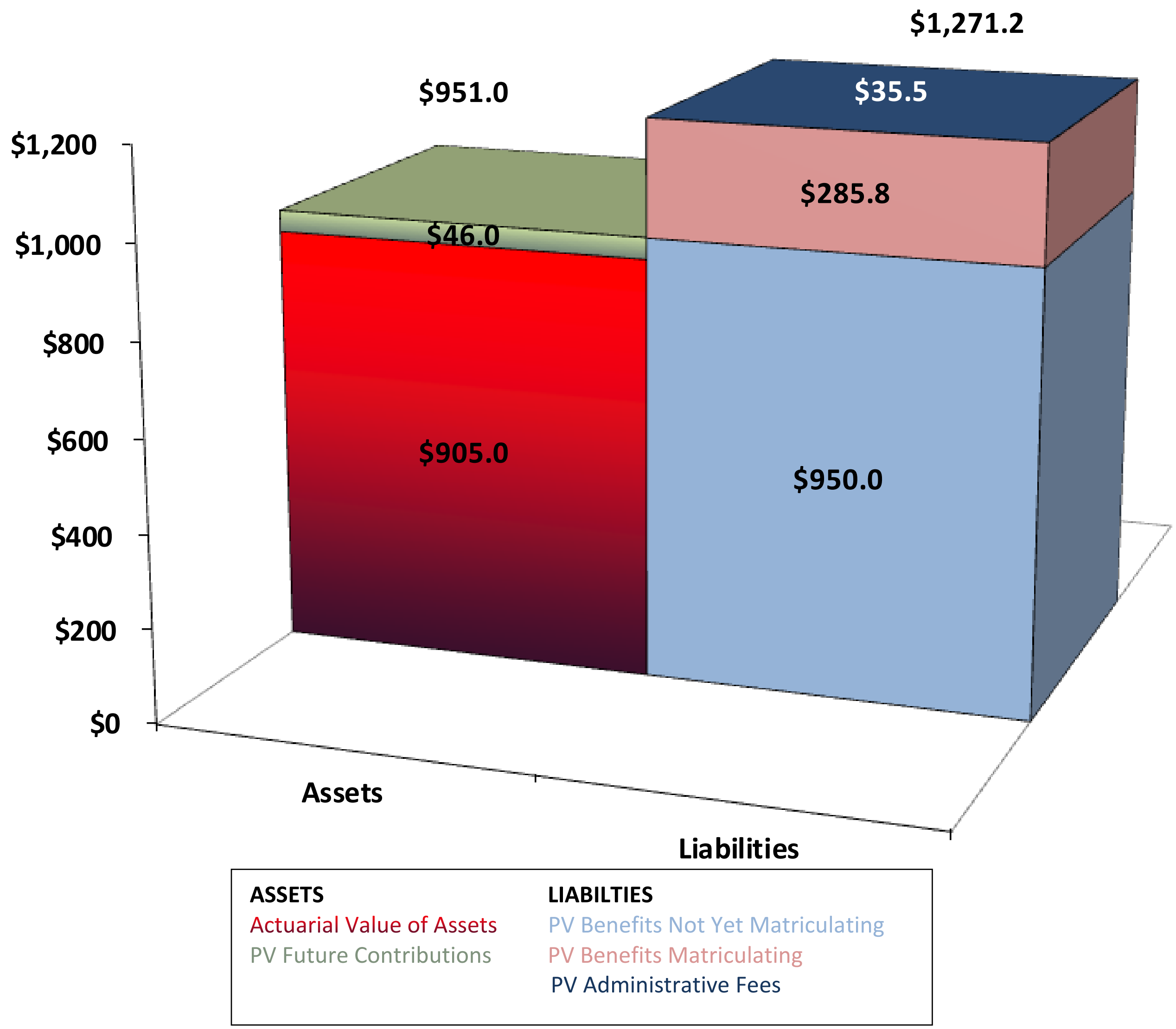
EXECUTIVE SUMMARY

Principal Actuarial Soundness Valuation Results

Valuation Date:	June 30, 2017	June 30, 2016
Membership Summary:		
Counts		
Not yet Matriculating	25,146	28,234
Matriculating[a]	13,251	12,841
Total	38,397	41,075
Average years until Enrollment if Not yet Matriculating	4.1	4.4
Assets[b]		
· Actuarial Value of Assets (AVA)	$950,969,333	$1,017,411,839
· Estimated Return	7.22%	6.13%
Actuarial Liabilities (Present Value of Future Tuition Payments, Fees, and Administrative Expenses)	$1,271,206,337	$1,281,725,804
Unfunded Liabilities	$320,237,004	$264,313,965
Funded Ratio	74.8%	79.4%

[a]*Counts include 4,592 in contracts in 2017 and 4,125 contracts in 2016 that are classified as "Matriculating" but have not used any 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, 2017
$ in Millions



Numbers may not add due to rounding.

Summary of Results

Funded Status as of June 30, 2017

	June 30, 2017
Actuarial Present Value of Future Tuition Payments, Fees and Expenses	$1,271,206,337
Actuarial Value of Assets (Including the Present Value of Installment Contract Receivables)	$950,969,333
Deficit/(Surplus) as of June 30, 2017	$320,237,004

Gain/Loss Summary

	Unfunded Liability
Value at June 30, 2016	$ 264,313,965
Expected Value at June 30, 2017	$ 278,495,729
(Gain)/Loss Due to:	
Investment Experience	$ (4,435,878)
Change in Assumptions and Methods	78,869,711
Tuition/Fee Inflation	(31,916,630)
Other Demographic Experience*	(775,927)
Total	$ 41,741,276
Actual Value at June 30, 2017	$ 320,237,004

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

Additional Details on the development of the Expected Value at June 30, 2017, can be found on page B-3.

Discussion

Actuarial Valuation

Gabriel, Roeder, Smith & Company ("GRS") has performed an actuarial soundness valuation of the College Illinois!® Prepaid Tuition Program ("CIPTP") as of June 30, 2017.

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, 2017, and compare such liabilities with the value of the assets associated with the program as of that same date; and
- Analyze the factors which caused the deficit/surplus to change since the prior actuarial valuation.

This report summarizes those results and also 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 is open to all Illinois residents and non-Illinois residents purchasing for Illinois-resident beneficiaries. CIPTP contracts may allow participants to prepay the cost of tuition and mandatory fees at Illinois public universities and community colleges at expected projected costs, which may be more stable than actual future costs.

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

The first CIPTP contracts were offered for sale in 1998. As of June 30, 2017, the CIPTP had 38,397 contracts in force.

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. The tuition and fee increase assumption was updated first commencing with the June 30, 2015, actuarial soundness valuation to a flat rate of 5.00 percent for all future years for all contract types. These actuarial assumptions are the responsibility of ISAC.

Discussion

Changes in Actuarial Assumptions Since Prior Valuation

The net investment return assumption was decreased from 6.75 percent used in the June 30, 2016, actuarial soundness valuation, to a select and ultimate rate structure beginning with 6.50 percent for fiscal year 2018 and grading down in annual increments of 0.393 percent to an ultimate investment return rate of 3.75 percent for fiscal years on and after fiscal year 2025. The calculation of the total administrative expenses related to marketing was changed from an assumption of 12 percent of total administrative expenses to incorporate actual marketing expenses in the prior fiscal year. 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. These assumptions were provided to us by ISAC.

Considering the current asset allocation and liquidity requirements, and that the CIPTP will be deferring open enrollment in the immediate future beginning with the 2017/2018 enrollment period, we believe the net investment rate of return assumption being used in the June 30, 2017, actuarial soundness valuation is consistent with applicable Actuarial Standards of Practice.

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

Financial Status of Program as of June 30, 2017

As of June 30, 2017, the present value of all future tuition obligations under contracts outstanding (and including future administrative expenses) at that date is $1,271,206,337. Fund assets as of June 30, 2017, including the market value of program assets and the present value of installment contract receivables, is $950,969,333.

The difference between the present value of future tuition obligations and the value of assets as of June 30, 2017, represents a program deficit of $320,237,004. The comparable program deficit as of the last valuation as of June 30, 2016, was $264,313,965.

Gain/Loss Analysis

As described above, the program deficit increased from $264.3 million as of June 30, 2016, to $320.2 million as of June 30, 2017. Based on the actuarial assumptions used during the June 30, 2016, actuarial soundness valuation, the deficit was expected to increase to $278.5 million. The primary factor which caused the expected deficit to increase by $41.7 million was the net impact of the changes in assumptions (change in the investment return assumption, partially offset by the change in the non-marketing related administrative expense assumption). This increase was partially offset by gains due to investment returns that were greater than expected (an actual rate of return greater than the assumption of 6.75 percent), tuition and fee increases that were less than expected (increases that were lower than the assumption of 5.00 percent) and other demographic experience (which includes deviations in actual contract beneficiary experience from our assumptions related to rates of enrollment and utilization of benefits and contract terminations and refunds).

Discussion

The funded ratio decreased from 79.4 percent as of June 30, 2016, to 74.8 percent as of June 30, 2017.

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, 2016.

Assets

CIPTP assets are held in trust. ISAC provided the asset information used in the June 30, 2017, 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 7.22 percent for the year ended June 30, 2017.

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

Contract Prices

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

Contracts Sold by Enrollment Year

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

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

- The average annual number of contracts sold beginning with the enrollment period 1999/2000 and ending with the enrollment period 2009/2010 was 5,235.
- The average annual number of contracts sold during the last 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.

Discussion

Projection Scenarios

Projection scenarios are included in a separate report.

Disclosure

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

SECTION B

ACTUARIAL SOUNDNESS VALUATION RESULTS

Exhibit I
Principal Actuarial Soundness Valuation Results

Valuation Date:	June 30, 2017	June 30, 2016
1. Number of Members		
a. Not yet Matriculating:	25,146	28,234
b. Matriculating:[a]	13,251	12,841
c. Total	38,397	41,075
Average Years until Enrollment if Not Yet Matriculating	4.1	4.4
2. Assets		
a. Market Value of Assets (in Trust)	$ 904,972,812	$ 966,205,198
b. PV Future Member Contributions	45,996,521	51,206,641
c. Total Actuarial Value of Assets (AVA) (2a + 2b)	$ 950,969,333	$ 1,017,411,839
3. Actuarial Results		
Liabilities		
a. Not yet Matriculating - Tuition and Fees	$ 949,953,385	$ 960,311,076
b. Matriculating - Tuition and Fees	285,760,376	270,488,425
c. Present Value of Future Administrative Expenses	35,492,576	50,926,303
d. Total	$ 1,271,206,337	$ 1,281,725,804
Unfunded Liability	$ 320,237,004	$ 264,313,965
Funded Ratio	74.8%	79.4%

[a]Counts include 4,592 contracts in 2017 and 4,125 contracts in 2016 that are classified as "Matriculating" but have not used any credits within the past year.

Exhibit I (Continued)
Principal Actuarial Soundness Valuation Results

Valuation Date:	June 30, 2017	June 30, 2016
1. Assets		
a. Market Value of Assets (in Trust)	$ 904,972,812	$ 966,205,198
b. PV Future Member Contributions (Short Term)[a]	12,865,968	15,322,801
c. PV Future Member Contributions (Long Term)[b]	33,130,553	35,883,840
d. Total Market Value of Assets (MVA)	$ 950,969,333	$ 1,017,411,839
2. Actuarial Present Value of Tuition, Fees and Admin Expenses		
a. Short Term[a]	$ 152,765,034	$ 152,815,221
b. Long Term[b]	1,118,441,303	1,128,910,583
c. Total	$ 1,271,206,337	$ 1,281,725,804
Unfunded Liability (Surplus)	$ 320,237,004	$ 264,313,965
Funded Ratio	74.8%	79.4%

[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, 2016	$ 1,281,725,804	$ 1,017,411,839	$ 264,313,965
2. Actual Tuition Payments, Refunds, and Administrative Expenses	$ (150,082,133)	$ (150,082,133)	$ -
3. Interest on 1. and 2. at 6.75%	$ 81,533,928	$ 63,692,735	$ 17,841,193
4. New Contracts	$ 10,537,835	$ 14,197,264	$ (3,659,429)
5. Projected Values at June 30, 2017 (1. + 2. + 3. + 4.)	$ 1,223,715,434	$ 945,219,705	$ 278,495,729
6. (Gain)/Loss Due to:			
Investment Experience	$ -	$ (4,435,878)	$ (4,435,878)
Change in Assumptions and Methods	80,051,712	(1,182,001)	78,869,711
Tuition/Fee Inflation	(31,916,630)	-	(31,916,630)
Other Demographic Experience[b]	(644,179)	(131,748)	(775,927)
Total	$ 47,490,903	$ (5,749,628)	$ 41,741,276
7. Actual Values at June 30, 2017 (5. + 6.)	$ 1,271,206,337	$ 950,969,333	$ 320,237,004

[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, 2017, 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, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	Total 6-Year Change
Unfunded Liability at Prior Valuation Date	$ 536,337,123	$ 467,404,585	$ 448,506,323	$ 328,182,173	$292,111,181	$ 264,313,965	
Projected Unfunded Liability at Valuation Date	$ 585,357,342	$ 491,441,672	$ 474,596,839	$ 346,104,498	$309,309,748	$ 278,495,729	
(Gain)/Loss Due to:							
Investment Experience	$ 50,941,188	$ (13,003,926)	$ (44,221,698)	$ 31,916,454	$8,218,414	$ (4,435,878)	$ 29,414,554
Change in Assumptions	(81,435,163)	24,441,468	(53,755,927)	(49,845,761)	(21,711,495)	78,869,711	(103,437,167)
Tuition/Fee Inflation*	N/A	(66,164,363)	(45,359,154)	(47,420,647)	(40,802,985)	(31,916,630)	(231,663,779)
Other Demographic Experience	(87,458,782)	11,791,472	(3,077,887)	11,356,637	9,300,283	(775,927)	(58,864,204)
Total	$ (117,952,757)	$ (42,935,349)	$ (146,414,666)	$ (53,993,317)	$ (44,995,783)	$ 41,741,276	$ (364,550,596)
Unfunded Liability at Valuation Date	$ 467,404,585	$ 448,506,323	$ 328,182,173	$ 292,111,181	$264,313,965	$ 320,237,005	

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

Changes in Actuarial Assumptions

June 30, 2012 *Decrease in the investment return assumption from 7.50 percent to 7.25 percent, change in the tuition and fee increase assumption from a flat rate increase assumption to a select and ultimate rate increase assumption.*

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

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

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

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

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

Exhibit IV
Sensitivity Testing Results

The actuarial assumptions regarding future increases in tuition costs and fees and the future rate of investment return were provided to us by ISAC. In our opinion, the actuarial assumptions provided to us are reasonable for the purpose of the measurement. However, no one really knows what the future holds with respect to economic conditions and other contingencies. For example, while it is assumed that the assets of the fund will earn 6.50 percent in 2018 graded down in yearly increments to 3.75 percent on and after 2025, actual returns are expected to vary from year to year. Therefore, we have projected CIPTP results under alternative assumptions for future investment income, tuition increases and fee increases.

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

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

Exhibit IV
Sensitivity Testing Results
$ 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)	$905.0	$905.0	$905.0	$905.0	$905.0	$905.0	$905.0
b. PV Future Member Contributions	46.0	46.0	46.0	46.0	46.0	45.4	46.6
c. Total Actuarial Value of Assets (AVA) (2a + 2b)	$951.0	$951.0	$951.0	$951.0	$951.0	$950.4	$951.6
2 Actuarial Results							
Liabilities							
a. Not yet Matriculating - Tuition and Fees	$950.0	$978.8	$922.9	$965.0	$938.9	$921.1	$980.2
b. Matriculating - Tuition and Fees	285.8	286.9	281.0	287.1	284.9	282.9	288.7
c. Present Value of Future Administrative Expenses	35.5	35.5	35.5	35.5	35.5	34.7	36.3
d. Total	$1,271.3	$1,301.2	$1,239.4	$1,287.6	$1,259.3	$1,238.7	$1,305.2
Unfunded Liability	$320.3	$350.2	$288.4	$336.6	$308.3	$288.3	$353.6
Funded Ratio	74.8%	73.1%	76.7%	73.9%	75.5%	76.7%	72.9%
Difference From Current Assumptions							
Unfunded Liability	$0.0	$29.9	-$31.9	$16.3	-$12.0	-$32.0	$33.3
Funded Ratio	0.0%	-1.7%	1.9%	-0.9%	0.7%	1.9%	-1.9%

SECTION C

FUND ASSETS

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

College Illinois!® Prepaid Tuition Program

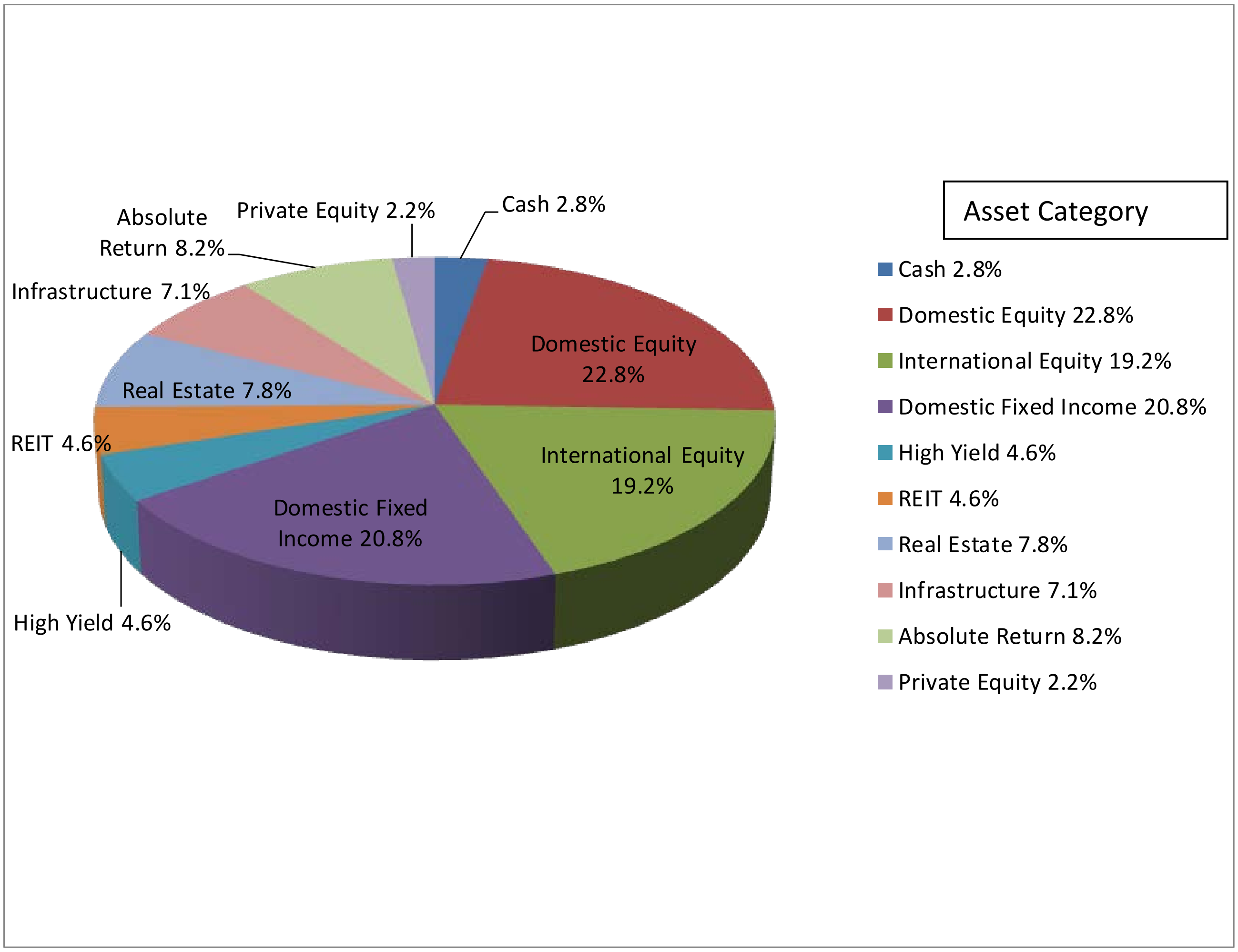
Statement of Plan Net Assets

Year ended June 30, 2017

			% of Total
Cash	$	25,031,456	2.8%
Investments			
Domestic Equity	$	206,257,988	22.8%
International Equity		173,913,856	19.2%
Domestic Fixed Income		187,907,010	20.8%
High Yield		41,588,526	4.6%
REIT		41,784,078	4.6%
Real Estate		70,474,360	7.8%
Infrastructure		64,299,667	7.1%
Absolute Return		73,798,783	8.2%
Private Equity		19,917,088	2.2%
Total Investments	$	879,941,356	97.2%
Total Assets	$	904,972,812	100.0%

Numbers may not add due to rounding.

Allocation of Assets at June 30, 2017



Reconciliation of Market Value of Plan Assets

College Illinois!® Prepaid Tuition Program

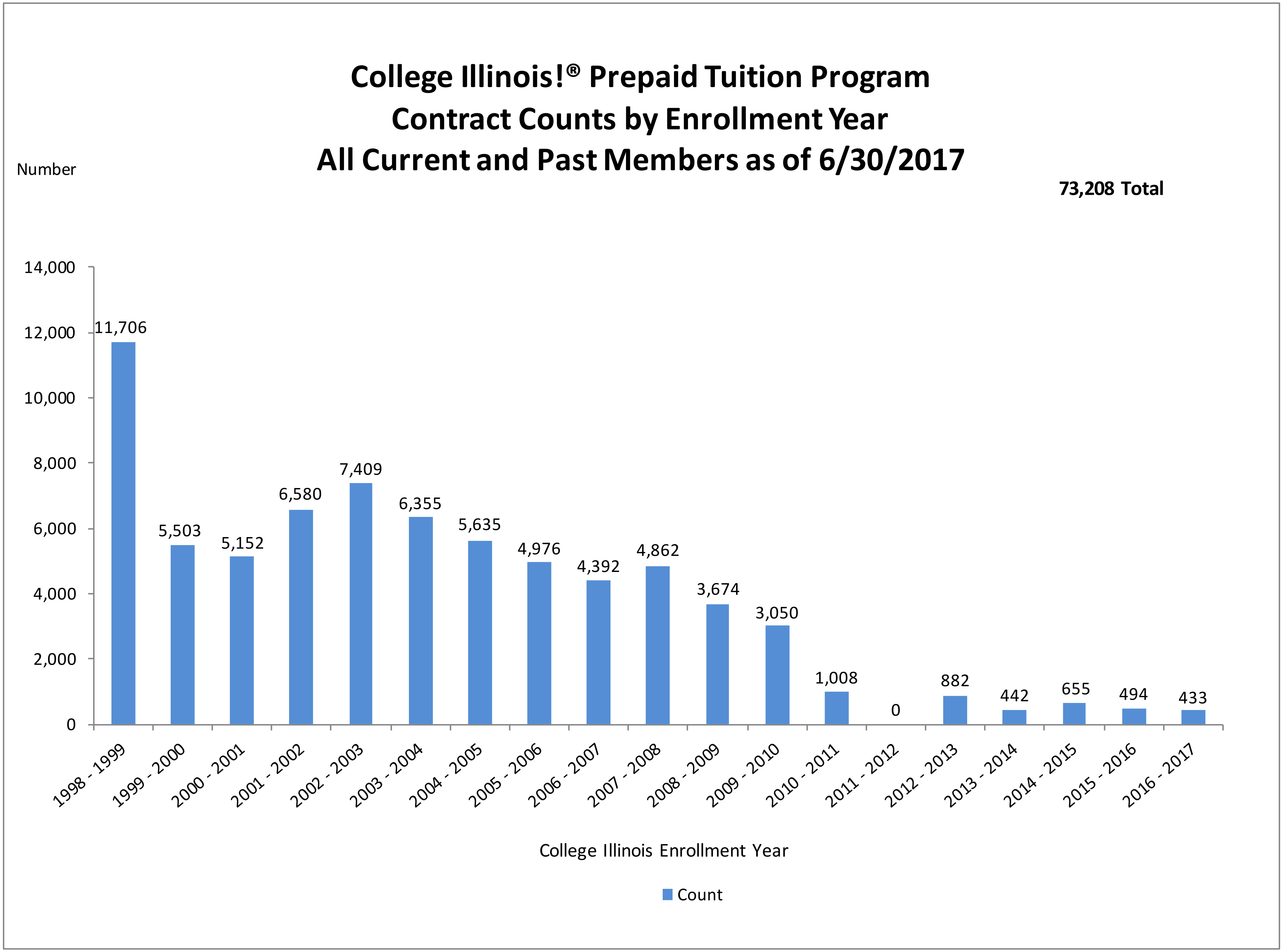
Statement of Changes in Plan Net Assets

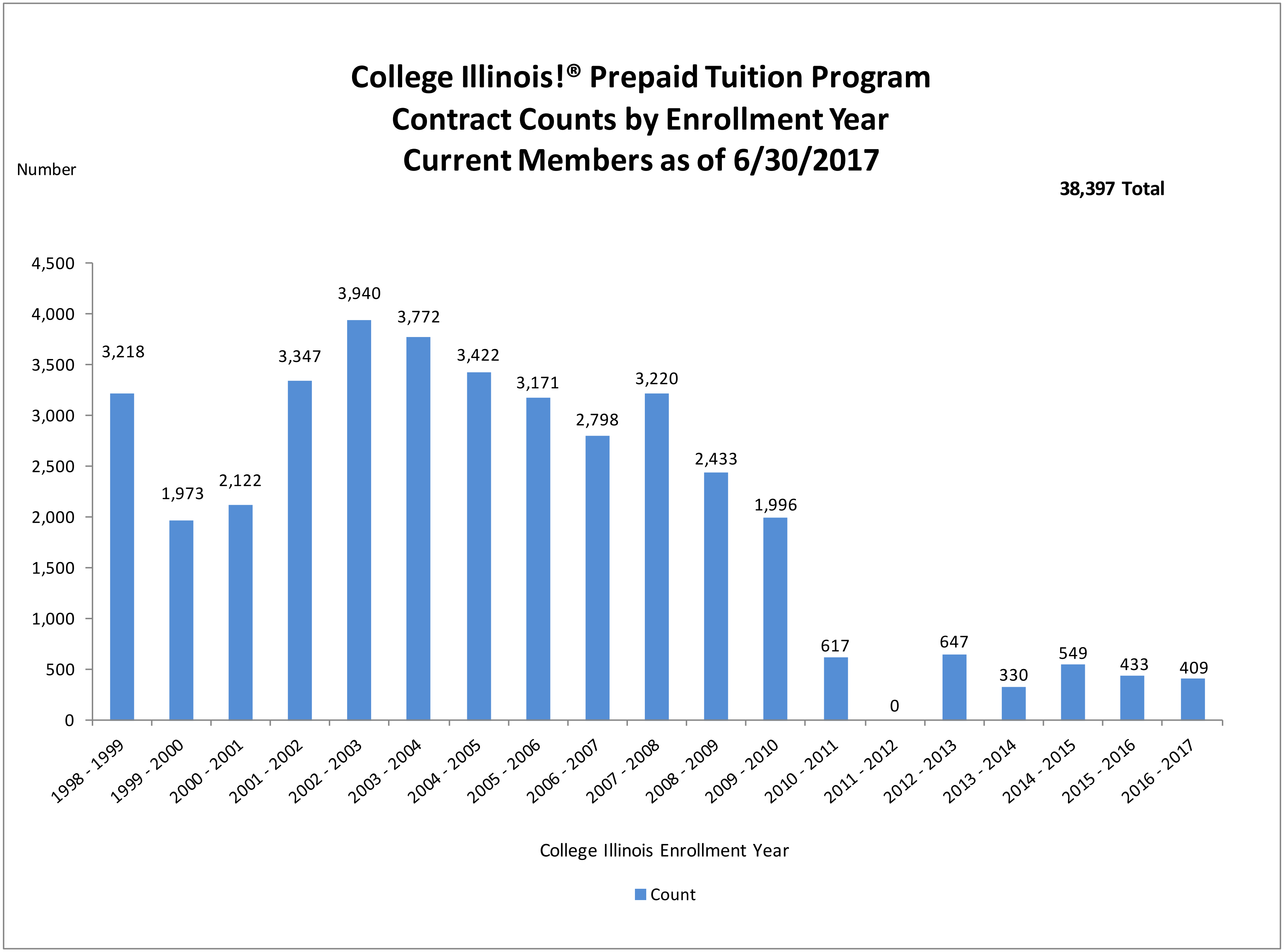
Twelve Month Period ended June 30, 2017

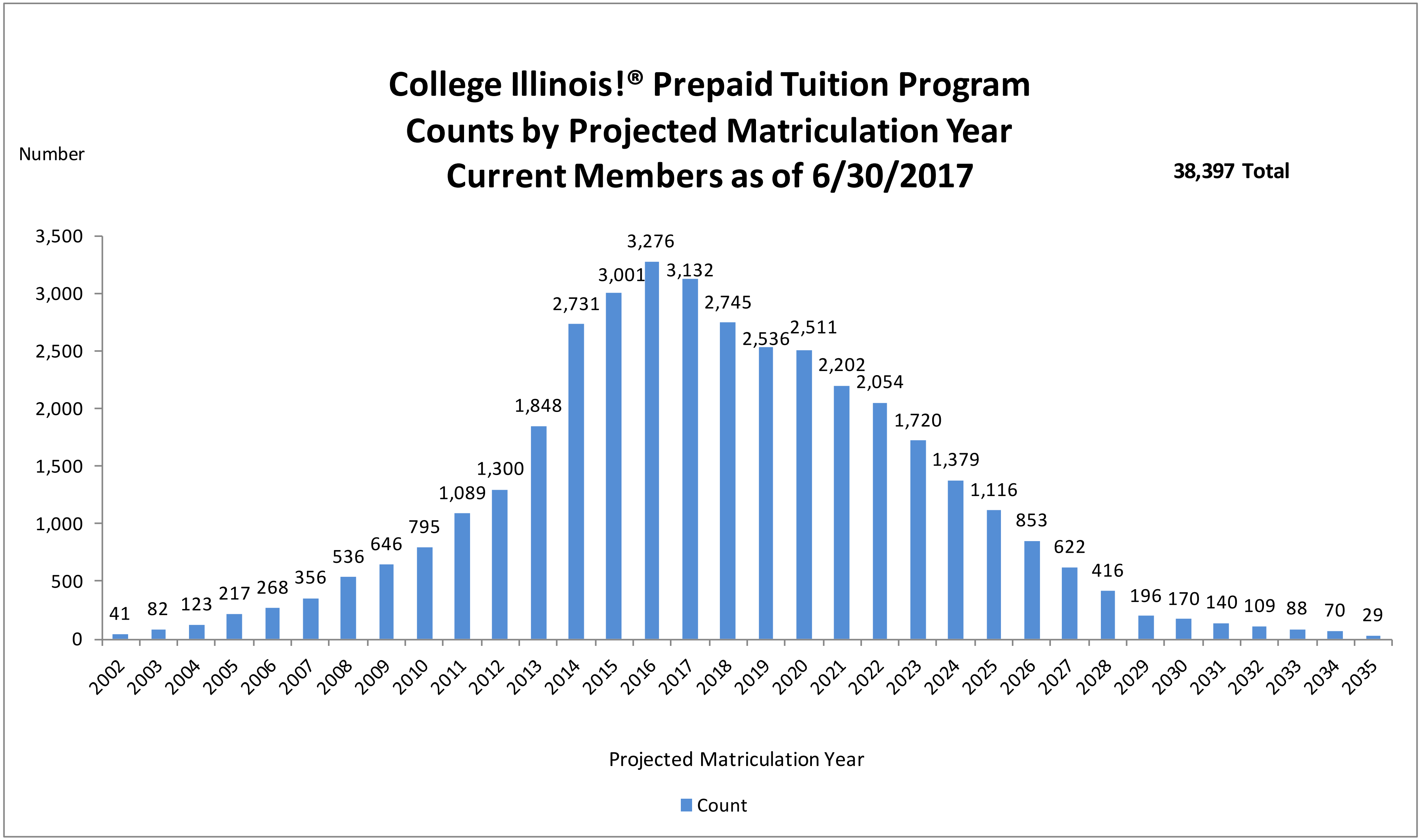
Beginning of Period		07/01/2016
End of Period		06/30/2017
Additions:		
Contributions received	$	23,659,545
Gross investment income		23,759,637
Realized/Unrealized investment gains/(losses)		45,293,156
Total Additions	$	92,712,338
Deductions:		
Tuition payments	$	125,688,617
Refunds to Purchasers		17,770,271
Investment expenses & advisory fees		3,862,591
Administrative expenses		6,623,245
Total Deductions	$	153,944,724
Net increase/(decrease)	$	(61,232,386)
Market Value of Assets:		
Beginning of period	$	966,205,198
End of period (6/30/2017)	$	904,972,812
Present Value of Future Contributions by Current Contract Holders		45,996,521
Market Value of Total Fund Assets as of June 30, 2017	$	950,969,333

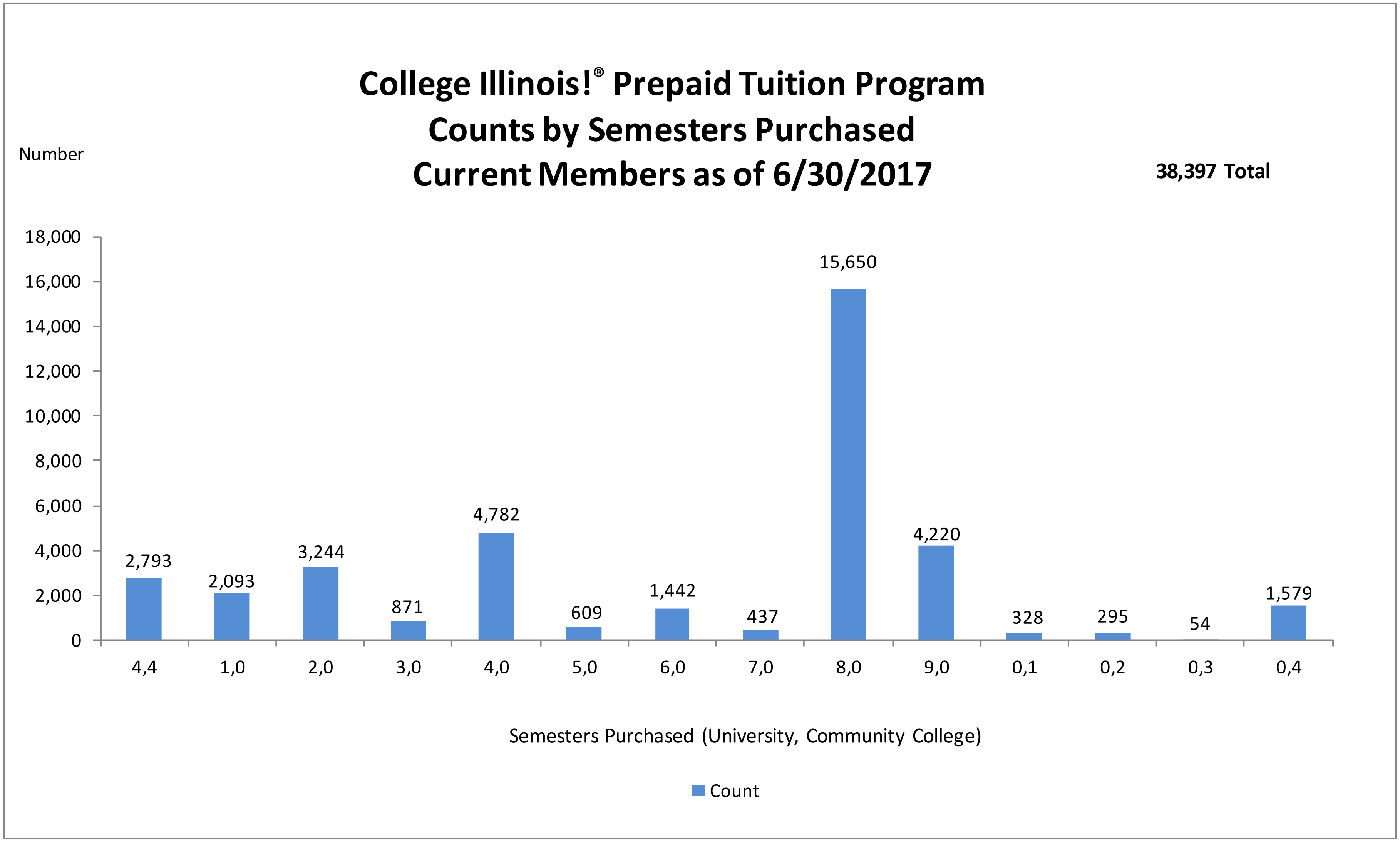
SECTION D

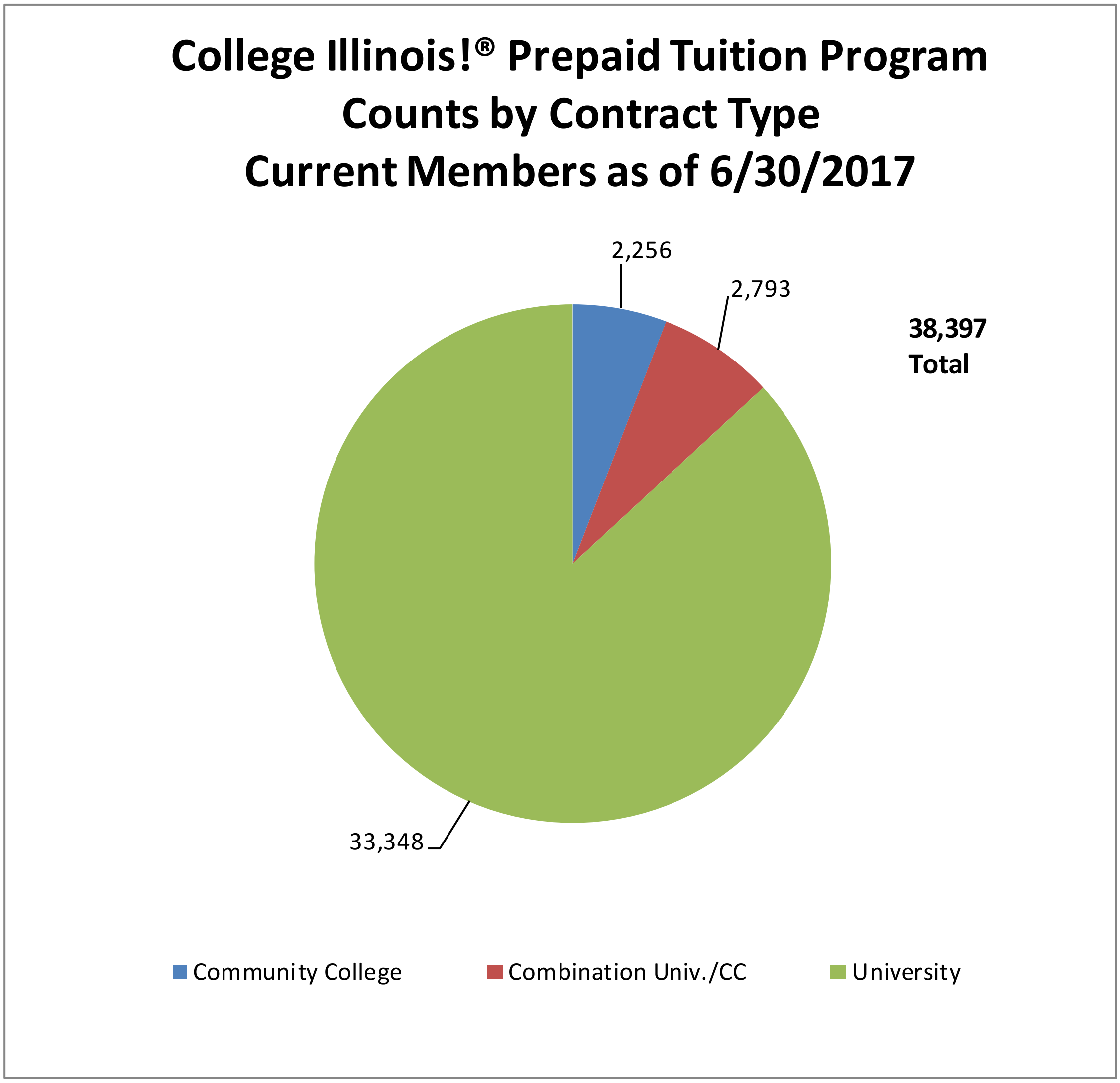
PARTICIPANT DATA

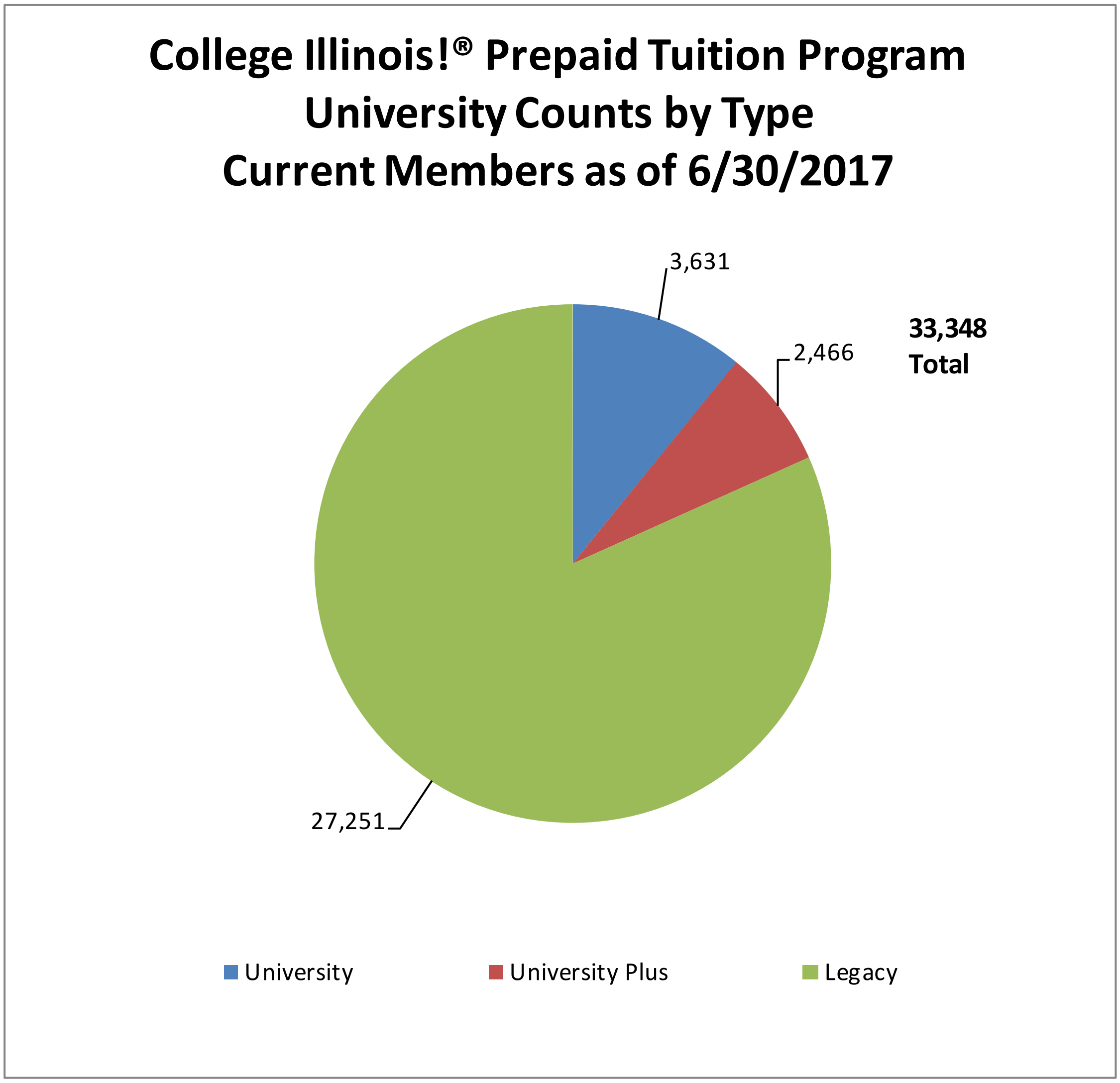

College Illinois!® Prepaid Tuition Program
Contract Counts by Enrollment Year
All Current and Past Members as of 6/30/2017
Number
73,208 Total
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
11,706
5,503
5,152
6,580
7,409
6,355
5,635
4,976
4,392
4,862
3,674
3,050
1,008
0
882
442
655
494
433
1998 - 1999
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
College Illinois Enrollment Year
Count


College Illinois!® Prepaid Tuition Program
Contract Counts by Enrollment Year
Current Members as of 6/30/2017
Number
38,397 Total
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
3,218
1,973
2,122
3,347
3,940
3,772
3,422
3,171
2,798
3,220
2,433
1,996
617
0
647
330
549
433
409
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
College Illinois Enrollment Year
Count


College Illinois!® Prepaid Tuition Program
Counts by Projected Matriculation Year
Current Members as of 6/30/2017
Number
38,397 Total
3,500
3,000
2,500
2,000
1,500
1,000
500
0
41
82
123
217
268
356
536
646
795
1,089
1,300
1,848
2,731
3,001
3,276
3,132
2,745
2,536
2,511
2,202
2,054
1,720
1,379
1,116
853
622
416
196
170
140
109
88
70
29
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
2035
Projected Matriculation Year
Count


College Illinois!® Prepaid Tuition Program
Counts by Semesters Purchased
Current Members as of 6/30/2017
Number
38,397 Total
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
2,793
2,093
3,244
871
4,782
609
1,442
437
15,650
4,220
328
295
54
1,579
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 6/30/2017
2,256
2,793
38,397
Total
33,348
Community College
Combination Univ./CC
University


College Illinois!® Prepaid Tuition Program
University Counts by Type
Current Members as of 6/30/2017
3,631
2,466
33,348
Total
27,251
University
University Plus
Legacy

SECTION E

METHODS & ASSUMPTIONS

Valuation Methods

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

Valuation Assumptions

The 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 valuation as of June 30, 2015.

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

Measurement Date

June 30, 2017

Net Investment Return Rate

Select and ultimate rate structure beginning with 6.50 percent for fiscal year 2018 and grading down in increments of 0.393 percent to an ultimate investment return rate of 3.75 percent for fiscal years on and after fiscal year 2025, compounded annually. Includes inflation assumption of 2.50 percent. (First effective with the actuarial soundness valuation as of June 30, 2017, and provided by ISAC.)

Considering the current asset allocation, liquidity requirements and deferment of the next enrollment period, we believe the net investment rate of return assumption of 6.50 percent in fiscal year 2018 grading down to 3.75 percent in 2025, on a select and ultimate basis, is consistent with 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†
2017-2018 Weighted Tuition	$3,862	$10,675	$13,884	$11,525
2017-2018 Weighted Fees	494	3,729	3,832	3,756
2017-2018 Total WATF	4,356	14,404	17,716	15,281

†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
2017-2018 Total WATF	$4,356	$14,404	$17,716	$15,281
2016-2017 Total WATF	4,157	14,158	17,798	15,045
WATF Increase	4.79%	1.74%	-0.46%	1.57%

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 2017-2018 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, 2017, Actuarial Valuation				
Effective Date	Community College	University	University Plus	Legacy
6/30/2017 and Beyond	5.00%	5.00%	5.00%	5.00%

(First effective with the actuarial soundness valuation as of June 30, 2016, and provided 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.

Methods and Assumptions

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
2017-2018 Weighted Tuition	$3,862	$10,675	$13,884	$11,525
2016-2017 Weighted Tuition	3,698	10,410	14,136	11,318
2015-2016 Weighted Tuition	3,549	10,082	14,136	11,022
2014-2015 Weighted Tuition	3,331	9,903	14,145	10,871
2013-2014 Weighted Tuition	3,186	9,633	13,841	10,557

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 and those who have matriculated, but have not used credits within the past year. 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 and those who have matriculated, but have not used credits within the past year.

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 have not yet matriculated and those who have matriculated, but have not used credits within the past year. For those who have matriculated, the projected college entrance year is assumed to be the valuation year. Contract beneficiaries are assumed to use the benefits as described by the CIPTP Master Agreement.

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

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

Administrative Expenses

Administrative expenses of the Program are assumed to be paid through a combination of investment earnings and fees assessed on purchasers. Marketing expenses were excluded from the liabilities (present value of future administrative expenses) for current contract beneficiaries as it is assumed those costs should be applicable to future contracts. Administrative expenses are projected to increase by the rate of the inflation assumption of 2.50 percent for two years and then decline at the same rate the present value of benefits declines (combined with a 2.50 percent increase for inflation). The present value of future administrative expenses was determined to be equal to approximately 2.8 percent of the total liabilities.

First effective with the actuarial soundness valuation as of June 30, 2017, the calculation of the total administrative expenses related to marketing was changed from an assumption of 12 percent of total administrative expenses to incorporate actual marketing expenses in the prior fiscal year, as provided by ISAC. 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
2017	$1,854,639	$4,768,606	$6,623,245	28.00%
2018	0	4,887,821	4,887,821	
2019	0	5,010,017	5,010,017	

Mortality and Disability

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

Data Adjustments

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

- Records with a payment status indicating they were cancelled;
- Records with a contract usage status of depleted; and
- Records with the number of contract units used equal to the number of contract units purchased.

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

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

SECTION F

PLAN PROVISIONS

Plan Provisions

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

A. Type of Contract

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

B. Benefit

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

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

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

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

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

C. Contract Payments

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

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

D. Private or Out-of-State Institutions

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

E. Scholarship

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

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

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

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

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

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

G. Cancellation/Refunds

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

H. Death/Disability of Qualified Beneficiary

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

I. Other Ancillary Benefits

There are no ancillary benefits.

J. Truth in Tuition

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

K. Changes from Previous Valuation

None.

College Illinois!® Prepaid Tuition Program

Supplemental Actuarial Soundness Valuation Report as of June 30, 2017

GRS Retirement Consulting
P: 312.456.9800 | F: 312.683.3271 | www.grsconsulting.com

November 17, 2017

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, 2017

Dear Mr. Zarnikow:

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

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

While the closing of the CIPTP has not occurred, we have also provided an alternate closed group projection assuming no new contract sales after June 30, 2017. Please note that this closed group scenario was specifically requested by ISAC and is also presented for illustrative purposes only.

For purposes of this analysis, we used the actuarial soundness valuation results from the June 30, 2017, Actuarial Soundness Valuation, and unless noted differently, the same actuarial assumptions and methods as used for the June 30, 2017, Actuarial Soundness Valuation.

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

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

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

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

This supplemental report is one of multiple documents providing actuarial soundness valuation results for the College Illinois!® Prepaid Tuition Program as of June 30, 2017. Additional information regarding actuarial assumptions and methods, underlying financial and beneficiary data and important additional disclosures are provided in the June 30, 2017, Actuarial Soundness Valuation. Section D of this report contains a summary of the actuarial assumptions and methods.

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

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

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

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

Respectfully submitted,

Gabriel, Roeder, Smith and Company

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

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SECTION A

BACKGROUND

Background

Purpose of Projections

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

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 when performing certain actuarial services with respect to measuring obligations under a defined benefit pension plan and calculating actuarially determined contributions for such plans, with regard to the assessment and disclosure of the risk that actual future measurements may differ significantly from expected future measurements. The standard will be effective for any actuarial work product with a measurement date on or after November 1, 2018. 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. Future projection reports for CIPTP may contain additional risk metrics, projections or calculations in accordance with guidance from ASOP No. 51.

Illustrative Open and Closed Group Scenarios

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

While the closing of the CIPTP has not occurred, we have also provided an alternate closed group projection assuming no new contract sales after June 30, 2017. Please note that this closed group scenario was specifically requested by ISAC and is also presented for illustrative purposes only.

Historical Number of Contracts Sold by Enrollment Year

The chart on page D-1 in Section D of the June 30, 2017, Actuarial Soundness Valuation Report illustrates the number of contracts sold by enrollment year.

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

- The average annual number of contracts sold beginning with the enrollment period 1999/2000 and ending with the enrollment period 2009/2010 was 5,235.

- The average annual number of contracts sold during the last 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.

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, 2017, Actuarial Soundness Valuation, and unless noted differently, the same actuarial assumptions and methods as used for the June 30, 2017, Actuarial Soundness Valuation. The contract prices for future new contracts were based on the prices for the enrollment period from January 18, 2017, through May 31, 2017, increased by actual tuition and fee increases for fiscal year 2018, and are assumed to increase each year by the tuition and fee increase assumption. The contract prices for the enrollment period from January 18, 2017, through May 31, 2017, were based on different investment return and tuition and fee increase assumptions than the assumptions used for the Actuarial Soundness Valuation as of June 30, 2017. (We have not recalculated prices for future contracts using the current assumptions for purposes of the open-group projections.)

For the June 30, 2017, Actuarial Soundness Valuation, and for those projection scenarios where the Trust assets are depleted in the future and the funded ratio remains low thereafter, we have incorporated a "select and ultimate" approach to the investment return assumption (and also the related discount rate for the liabilities). Under this "select and ultimate" approach to the investment return assumption, we have assumed that the net investment return and discount rate grade down from 6.50% to 3.75% in yearly increments based on the number of years until the Trust assets are 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 has assets of approximately $12-$14 billion, and provides the necessary liquidity to meet the state's daily obligations while investing remaining funds in authorized short/long-term investment opportunities.) Based on input from ISAC, we have assumed that underlying return on such assets in the State Portfolio is 3.75%.

Considering the current asset allocation, liquidity requirements and deferment of the next enrollment period, we believe the net investment rate of return assumption of 6.50% in fiscal year 2018 grading down to 3.75% in 2025, on a select and ultimate basis, is consistent with applicable Actuarial Standards of Practice.

Important Disclosure

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

SECTION B

PROJECTION RESULTS

Discussion of Scenario Results

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

While the closing of the Program has not occurred, we have provided the results of a closed group run-off projection scenario in Scenario 1. Under this illustrative closed group scenario, we have assumed that the program continues to operate but with no new contract sales after June 30, 2017. Under this scenario, future payments from current contract holders, current Trust assets and future investment income are projected to be insufficient by the year 2025 to make the required tuition payments and additional funds will be required to maintain solvency ($542.2 million for the period 2025 to 2053). The CIPTP funded status is projected to decrease from 74.8% in 2017 to 0.7% in 2025 when additional solvency contributions are required) and then decrease to 0.0% in 2031 and remain at 0.0% for the remaining years in the projection period.

Under this scenario, the Trust assets are projected to be depleted in 2025. Therefore, we have incorporated a "select and ultimate" approach to the investment return assumption (and also the related discount rate for the liabilities). Under this "select and ultimate" approach to the investment return assumption, we have assumed that the net investment return and discount rate grade down from 6.50% for year ending June 30, 2018 to 3.75% beginning for year ending June 30, 2025, in equal yearly increments of 0.393%.

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

Scenario 2 illustrates the results of an open group projection scenario assuming 500 new contracts are sold each year, beginning in fiscal year 2019. Under this illustrative new contract sales assumption, future payments from current and future contract holders, current Trust assets and future investment income are projected to be insufficient to make the required tuition payments in year 2026 and additional funds will be required to maintain solvency ($459.7 million for the period 2026 to 2054). The CIPTP funded status is projected to decrease from 75.2% in 2017 to a low of 6.9% in 2026 (when additional solvency contributions are required) and then very slowly increase to only 14.6% in 2054.

Under this scenario, the Trust assets are projected to be depleted in 2026, and the funded ratio remains low for the remaining years in the projection period. Therefore, we have incorporated a "select and ultimate" approach to the investment return assumption (and also the related discount rate for the liabilities). Under this "select and ultimate" approach to the investment return assumption, we have assumed that the net investment return and discount rate grade down from 6.50% for year ending June 30, 2018 to 3.75% beginning for year ending June 30, 2026, in equal yearly increments of 0.344%.

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

Scenario 3 illustrates the results of an open group projection scenario assuming 1,000 new contracts are sold each year, beginning in fiscal year 2019. Under this illustrative new contract sales assumption, future payments from current and future contract holders, current Trust assets and future investment income are projected to be insufficient to make the required tuition payments in year 2028 and additional funds will be required to maintain solvency ($113.4 million for the period 2028 to 2033). The CIPTP funded status is projected to decrease from 76.0% in 2017 to a low of 12.7% in 2028 (when additional solvency contributions are required) and then very slowly increase to only 22.3% in 2054.

Under this scenario, the Trust assets are projected to be depleted in 2028, and the funded ratio remains low for the remaining years in the projection period. Therefore, we have incorporated a "select and ultimate" approach to the investment return assumption (and also the related discount rate for the liabilities). Under this "select and ultimate" approach to the investment return assumption, we have assumed that the net investment return and discount rate grade down from 6.50% for year ending June 30, 2018 to 3.75% beginning for year ending June 30, 2028, in equal yearly increments of 0.275%.

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

Scenario 4 illustrates the results of an open group projection scenario assuming 1,500 new contracts are sold each year, beginning in fiscal year 2019. Under this illustrative new contract sales assumption, future payments from current and future contract holders, current Trust assets and future investment income are projected to be sufficient to make the required tuition payments in all projection years. However, the CIPTP funded status is projected to decrease from 79.7% in 2017 to a low of 40.8% in 2029 before increasing to 78.1% in 2054.

Under this scenario, the Trust assets are not projected to be depleted during the projection period. Therefore, assuming that ISAC is able to maintain the current asset allocation throughout the entire projection period, we have used a flat investment return (and discount rate) assumption of 6.50% for this projection scenario.

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

Scenario 5 illustrates the results of an open group projection scenario assuming 2,500 new contracts are sold each year, beginning in fiscal year 2019. Under this illustrative new contract sales assumption, future payments from current and future contract holders, current Trust assets and future investment income are projected to be sufficient to make the required tuition payments in all projection years. However, the CIPTP funded status is projected to decrease from 79.7% in 2017 to a low of 64.0% in 2025 before increasing to 133.7% in 2054. The funded status is projected to first reach 100 percent in 2042.

Under this scenario, the Trust assets are not projected to be depleted during the projection period. Therefore, assuming that ISAC is able to maintain the current asset allocation throughout the entire projection period, we have used a flat investment return (and discount rate) assumption of 6.50% for this projection scenario.

Scenario 6 – Open Group -- 5% Annual Contract Sales Growth From 500 Contracts Sold in FY19 to 2,500 Contracts Sold and Then Stable at 2,500 Contracts Per Year

Scenario 6 illustrates the results of an open group projection scenario assuming 500 new contracts are sold in 2019 and then the number of new contract sales increases by 5.0% each year to 2,500 new contracts sold in 2052 and each future year. Under this illustrative new contract sales assumption, future payments from current and future contract holders, current Trust assets and future investment income are projected to be insufficient to make the required tuition payments in years 2027 through 2032 and additional solvency contributions will be required to maintain solvency ($206.3 million for the period 2027 to 2032). The CIPTP funded status is projected to decrease from 79.7% in 2017 to a low of 10.4% in 2027 (and additional solvency contributions are required) before increasing to 92.4% in 2054.

Under this scenario, the Trust assets are projected to be depleted in 2027. However, because additional solvency contributions are only required for six years before the funded status is projected to increase, we have used a flat investment return (and discount rate) assumption of 6.50% for this projection scenario. This assumes that ISAC is able to maintain the current asset allocation throughout most of the projection period.

Scenario 7 – Open Group -- 10% Annual Contract Sales Growth From 500 Contracts Sold in FY19 to 2,500 Contracts Sold and Then Stable at 2,500 Contracts Per Year

Scenario 7 illustrates the results of an open group projection scenario assuming 500 new contracts are sold in 2019 and then the number of new contract sales increases by 10.0% each year to 2,500 new contracts sold in 2036 and each future year. Under this illustrative new contract sales assumption, future payments from contract holders, Trust assets and future investment income are projected to be insufficient to make the required tuition payments in years 2027 through 2030 and additional solvency contributions will be required to maintain solvency ($108.7 million for the period 2027 through 2030). However, the CIPTP funded status is projected to decrease from 79.7% in 2017 to a low of 12.7% in 2027 (and additional solvency contributions are required) before increasing to 111.1% in 2054. The funded status is projected to first reach 100 percent in 2050.

Under this scenario, the Trust assets are projected to be depleted in 2027. However, because additional solvency contributions are only required for four years before the funded status is projected to increase, we have used a flat investment return (and discount rate) assumption of 6.50% for this projection scenario. This assumes that ISAC is able to maintain the current asset allocation throughout most of the projection period.

Scenario 8 – Open Group -- 15% Annual Contract Sales Growth From 500 Contracts Sold in FY19 to 2,500 Contracts Sold and Then Stable at 2,500 Contracts Per Year

Scenario 8 illustrates the results of an open group projection scenario assuming 500 new contracts are sold in 2019 and then the number of new contract sales increases by 15.0% each year to 2,500 new contracts sold in 2031 and each future year. Under this illustrative new contract sales assumption, future payments from contract holders, Trust assets and future investment income are projected to be insufficient to make the required tuition payments in years 2028 through 2029 and additional solvency contributions will be required to maintain solvency ($23.8 million for the period 2028 through 2029). However, the CIPTP funded status is projected to decrease from 79.7% in 2017 to a low of 18.0% in 2028 (and additional solvency contributions are required) before increasing to 111.0% in 2054. The funded status is projected to first reach 100 percent in 2050.

Under this scenario, the Trust assets are projected to be depleted in 2028. However, because additional solvency contributions are only required for two years before the funded status is projected to increase, we have used a flat investment return (and discount rate) assumption of 6.50% for this projection scenario. This assumes that ISAC is able to maintain the current asset allocation throughout most of the projection period.

Summary

Under the scenarios in which 2,500 contracts are assumed to ultimately be sold each year (Scenarios 5 through 8), the funded status is projected to reach 90% or higher during the projection period.

Summary Table

Scenario	Scenario Description	Discount Rate/Type	Tuition/Fee Increase	Year of Asset Depletion	Required Solvency Contributions	Funded Ratio 2017	Funded Ratio 2054	Funded Ratio Minimum	Funded Ratio Year Minimum	Funded Ratio Year 100%
1	Closed Group (Run-Off)	Select and Ultimate	5.00%	2025	$ 542,188,617	74.8%	0.0%	0.0%	2031	NA
2	Open Group (500 New Contracts Per Year)	Select and Ultimate	5.00%	2026	$ 459,675,237	75.2%	14.6%	6.9%	2026	NA
3	Open Group (1,000 New Contracts Per Year)	Select and Ultimate	5.00%	2028	$ 113,439,313	76.0%	22.3%	12.7%	2028	NA
4	Open Group (1,500 New Contracts Per Year)	6.50%	5.00%	NA	$ -	79.7%	78.1%	40.8%	2029	NA
5	Open Group (2,500 New Contracts Per Year)	6.50%	5.00%	NA	$ -	79.7%	133.7%	64.0%	2025	2042
6	Open Group (5% Annual Growth)*	6.50%	5.00%	2027	$ 206,300,140	79.7%	92.4%	10.4%	2027	NA
7	Open Group (10% Annual Growth)*	6.50%	5.00%	2027	$ 108,703,136	79.7%	111.1%	12.7%	2027	2050
8	Open Group (15% Annual Growth)*	6.50%	5.00%	2028	$ 23,799,621	79.7%	111.0%	18.0%	2028	2050

**500 contracts assumed to be sold in FY 2019, with an annual increase in contract sales until a maximum of 2,500 contracts per year are sold annually.*

Scenario Summary - Projected Funded Ratio
Projection Based on Data as of June 30, 2017
Assumed Net Investment Return and Discount Rates Vary by Scenario
Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2017

Scenario		1	2	3	4	5	6	7	8
Description		Closed Group	Open Group	Open Group	Open Group	Open Group	Open Group [a]	Open Group [a]	Open Group [a]
Annual New Contracts		0	500	1,000	1,500	2,500	500	500	500
Increase in Annual New Contracts							5%	10%	15%
Annual WAT/Price Increase		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Ultimate Discount Rate (UDR)		3.75%	3.75%	3.75%	6.50%	6.50%	6.50%	6.50%	6.50%
Year of Asset Depletion		2025	2026	2028	NA	NA	2027	2027	2028
Year Ending 6/30	2017	74.8%	75.2%	76.0%	79.7%	79.7%	79.7%	79.7%	79.7%
	2018	71.4%	71.8%	72.6%	76.7%	76.7%	76.7%	76.7%	76.7%
	2019	67.2%	67.0%	67.6%	72.1%	71.8%	72.4%	72.4%	72.4%
	2020	62.0%	61.8%	63.0%	68.9%	69.9%	67.8%	67.8%	67.8%
	2021	55.0%	55.3%	57.6%	65.1%	67.9%	61.9%	62.0%	62.0%
	2022	46.3%	47.7%	51.5%	61.2%	66.1%	55.1%	55.3%	55.5%
	2023	35.4%	38.9%	45.0%	57.2%	64.8%	47.1%	47.7%	48.2%
	2024	20.4%	28.4%	37.9%	53.3%	64.1%	37.6%	38.8%	40.2%
	2025	0.7%	16.0%	30.4%	49.5%	64.0%	26.5%	29.1%	31.9%
	2026	0.6%	6.9%	22.7%	46.1%	64.5%	13.9%	18.9%	24.2%
	2027	0.5%	8.0%	15.7%	43.5%	65.7%	10.4%	12.7%	18.6%
	2028	0.4%	9.2%	12.7%	41.6%	67.4%	12.2%	15.0%	18.0%
	2029	0.3%	10.3%	13.6%	40.8%	69.6%	14.0%	17.2%	20.6%
	2030	0.1%	11.3%	14.2%	40.9%	72.1%	15.5%	19.1%	24.8%
	2031	0.0%	12.1%	14.6%	41.7%	74.8%	16.8%	21.5%	31.2%
	2032	0.0%	12.8%	14.8%	43.0%	77.5%	17.8%	25.8%	38.0%
	2033	0.0%	13.2%	15.0%	44.5%	80.2%	18.9%	31.4%	44.3%
	2034	0.0%	13.5%	15.1%	46.2%	82.8%	21.1%	37.5%	50.1%
	2035	0.0%	13.8%	15.4%	47.9%	85.4%	24.0%	43.9%	55.3%
	2036	0.0%	13.9%	15.9%	49.6%	87.8%	27.4%	50.2%	60.0%
	2037	0.0%	14.0%	16.4%	51.3%	90.3%	31.0%	56.3%	64.3%
	2038	0.0%	14.1%	16.9%	53.0%	92.8%	34.9%	61.6%	68.2%
	2039	0.0%	14.1%	17.3%	54.5%	95.2%	38.7%	66.3%	71.7%
	2040	0.0%	14.2%	17.7%	56.0%	97.6%	42.6%	70.5%	74.9%
	2041	0.0%	14.2%	18.0%	57.4%	99.9%	46.4%	74.4%	77.9%
	2042	0.0%	14.2%	18.3%	58.8%	102.3%	50.2%	77.9%	80.8%
	2043	0.0%	14.3%	18.5%	60.3%	104.7%	54.0%	81.2%	83.5%
	2044	0.0%	14.3%	18.8%	61.7%	107.1%	57.7%	84.3%	86.1%
	2045	0.0%	14.3%	19.1%	63.2%	109.6%	61.4%	87.3%	88.6%
	2046	0.0%	14.4%	19.4%	64.7%	112.1%	65.1%	90.1%	91.1%
	2047	0.0%	14.4%	19.7%	66.2%	114.6%	68.7%	92.8%	93.6%
	2048	0.0%	14.4%	20.0%	67.8%	117.2%	72.3%	95.5%	96.0%
	2049	0.0%	14.5%	20.3%	69.4%	119.8%	75.7%	98.1%	98.5%
	2050	0.0%	14.5%	20.7%	71.1%	122.5%	79.2%	100.7%	100.9%
	2051	0.0%	14.5%	21.1%	72.8%	125.3%	82.5%	103.3%	103.4%
	2052	0.0%	14.6%	21.5%	74.5%	128.0%	85.8%	105.9%	105.9%
	2053	0.0%	14.6%	21.9%	76.3%	130.9%	89.2%	108.5%	108.4%
	2054	0.0%	14.6%	22.3%	78.1%	133.7%	92.4%	111.1%	111.0%
Minimum Funded Ratio		0.0%	6.9%	12.7%	40.8%	64.0%	10.4%	12.7%	18.0%

[a] *500 contracts assumed to be sold in FY 2019, with an annual increase in contract sales until a maximum of 2,500 contracts per year are sold annually.*

Scenario Summary - Projected Additional Required Solvency Contributions
Projection Based on Data as of June 30, 2017
Assumed Net Investment Return and Discount Rates Vary by Scenario
Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2017

Scenario		1	2	3	4	5	6	7	8
Description		Closed Group	Open Group	Open Group	Open Group	Open Group	Open Group [a]	Open Group [a]	Open Group [a]
Annual New Contracts		0	500	1,000	1,500	2,500	500	500	500
Increase in Annual New Contracts							5%	10%	15%
Annual WAT/Price Increase		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Ultimate Discount Rate (UDR)		3.75%	3.75%	3.75%	6.50%	6.50%	6.50%	6.50%	6.50%
Year of Asset Depletion		2025	2026	2028	NA	NA	2027	2027	2028
Year Ending 6/30	2017	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	2018	-	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-	-
	2021	-	-	-	-	-	-	-	-
	2022	-	-	-	-	-	-	-	-
	2023	-	-	-	-	-	-	-	-
	2024	-	-	-	-	-	-	-	-
	2025	3,686,806	-	-	-	-	-	-	-
	2026	108,633,535	30,009,447	-	-	-	-	-	-
	2027	92,621,350	81,343,433	-	-	-	45,722,843	15,822,884	-
	2028	80,917,790	70,425,139	23,294,705	-	-	62,089,266	50,689,528	13,931,500
	2029	64,499,342	55,034,624	38,010,363	-	-	44,927,717	30,406,779	9,868,121
	2030	50,316,788	42,016,654	25,623,699	-	-	29,980,015	11,783,945	-
	2031	38,454,980	31,340,217	15,653,488	-	-	17,209,193	-	-
	2032	28,646,836	22,774,114	7,897,885	-	-	6,371,106	-	-
	2033	21,467,490	16,910,625	2,959,173	-	-	-	-	-
	2034	15,875,874	12,494,566	-	-	-	-	-	-
	2035	11,831,906	9,666,016	-	-	-	-	-	-
	2036	8,542,496	7,465,431	-	-	-	-	-	-
	2037	5,903,718	5,816,809	-	-	-	-	-	-
	2038	4,025,521	5,114,424	-	-	-	-	-	-
	2039	2,667,385	4,831,453	-	-	-	-	-	-
	2040	1,611,788	4,612,068	-	-	-	-	-	-
	2041	995,899	4,614,877	-	-	-	-	-	-
	2042	640,207	4,697,018	-	-	-	-	-	-
	2043	383,612	4,710,023	-	-	-	-	-	-
	2044	227,327	4,689,900	-	-	-	-	-	-
	2045	128,541	4,651,612	-	-	-	-	-	-
	2046	66,478	4,582,772	-	-	-	-	-	-
	2047	21,729	4,480,015	-	-	-	-	-	-
	2048	11,390	4,388,482	-	-	-	-	-	-
	2049	5,621	4,265,895	-	-	-	-	-	-
	2050	2,572	4,117,945	-	-	-	-	-	-
	2051	1,111	3,951,987	-	-	-	-	-	-
	2052	414	3,767,350	-	-	-	-	-	-
	2053	111	3,563,336	-	-	-	-	-	-
	2054	-	3,339,005	-	-	-	-	-	-
	Total	542,188,617	459,675,237	113,439,313	-	-	206,300,140	108,703,136	23,799,621

[a] *500 contracts assumed to be sold in FY 2019, with an annual increase in contract sales until a maximum of 2,500 contracts per year are sold annually.*

SECTION C

ALTERNATIVE SCENARIOS PROJECTION TABLES

Closed Group Projections
Scenario 1 — Run-Off Scenario
Projection Based on Data as of June 30, 2017
Assumed Net Investment Return and Discount Rates Graded Down from 6.50% to 3.75% in 0.393% Yearly Increments
Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2017
Zero New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees and Expenses	Unfunded Liability	Funded Ratio
2017			$ 23,659,545	$ -	$ 143,458,888	$ 6,623,245	$ 65,190,202	$ 904,972,812	$ 45,996,521	$ 950,969,333	$ 1,235,713,761	$ 35,492,576	$ 1,271,206,337	$ 320,237,004	74.8%
2018	6.500%	0	13,277,529	-	152,763,917	4,887,821	54,204,937	814,803,540	35,284,039	850,087,579	1,158,384,569	32,755,419	1,191,139,988	341,052,409	71.4%
2019	6.107%	0	10,224,428	-	150,315,648	5,010,017	45,395,041	715,097,345	26,906,831	742,004,176	1,074,289,594	29,595,062	1,103,884,655	361,880,479	67.2%
2020	5.714%	0	8,164,461	-	151,572,146	5,135,267	36,675,741	603,230,134	20,049,808	623,279,942	979,832,092	26,006,180	1,005,838,272	382,558,330	62.0%
2021	5.321%	0	6,340,896	-	154,336,169	4,800,840	28,085,419	478,519,440	14,609,249	493,128,689	873,579,890	22,463,058	896,042,948	402,914,259	55.0%
2022	4.928%	0	5,413,559	-	144,250,848	4,387,246	20,094,824	355,389,729	9,783,848	365,173,577	768,867,461	19,075,989	787,943,450	422,769,873	46.3%
2023	4.535%	0	3,492,244	-	132,636,071	3,957,899	13,132,306	235,420,309	6,656,992	242,077,301	668,125,352	15,894,436	684,019,788	441,942,487	35.4%
2024	4.142%	0	2,396,891	-	127,636,988	3,525,292	7,111,434	113,766,354	4,486,698	118,253,052	565,545,574	12,955,223	578,500,797	460,247,745	20.4%
2025	3.750%	0	1,519,750	3,686,806	118,027,756	3,058,642	2,113,488	-	3,106,966	3,106,966	466,533,124	10,325,581	476,858,704	473,751,738	0.7%
2026	3.750%	0	1,048,299	108,633,535	107,095,603	2,586,231	-	-	2,155,704	2,155,704	374,942,950	8,078,513	383,021,464	380,865,760	0.6%
2027	3.750%	0	854,156	92,621,350	91,345,043	2,130,463	-	-	1,366,519	1,366,519	295,961,311	6,211,417	302,172,728	300,806,209	0.5%
2028	3.750%	0	581,569	80,917,790	79,775,636	1,723,723	-	-	825,390	825,390	225,802,197	4,688,599	230,490,796	229,665,406	0.4%
2029	3.750%	0	401,022	64,499,342	63,552,380	1,347,984	-	-	447,870	447,870	169,536,759	3,491,396	173,028,155	172,580,285	0.3%
2030	3.750%	0	294,104	50,316,788	49,573,497	1,037,395	-	-	165,098	165,098	125,399,942	2,565,656	127,965,598	127,800,500	0.1%
2031	3.750%	0	123,971	38,454,980	37,792,446	786,505	-	-	45,015	45,015	91,607,907	1,860,752	93,468,659	93,423,644	0.0%
2032	3.750%	0	45,851	28,646,836	28,103,760	588,926	-	-	-	-	66,417,348	1,330,663	67,748,010	67,748,010	0.0%
2033	3.750%	0	-	21,467,490	21,029,833	437,657	-	-	-	-	47,487,485	934,775	48,422,260	48,422,260	0.0%
2034	3.750%	0	-	15,875,874	15,555,133	320,741	-	-	-	-	33,424,158	643,130	34,067,287	34,067,287	0.0%
2035	3.750%	0	-	11,831,906	11,600,508	231,398	-	-	-	-	22,861,548	431,550	23,293,098	23,293,098	0.0%
2036	3.750%	0	-	8,542,496	8,380,267	162,229	-	-	-	-	15,182,906	282,490	15,465,396	15,465,396	0.0%
2037	3.750%	0	-	5,903,718	5,793,284	110,434	-	-	-	-	9,851,356	180,598	10,031,954	10,031,954	0.0%
2038	3.750%	0	-	4,025,521	3,952,075	73,446	-	-	-	-	6,195,287	112,560	6,307,847	6,307,847	0.0%
2039	3.750%	0	-	2,667,385	2,620,042	47,343	-	-	-	-	3,758,894	68,558	3,827,453	3,827,453	0.0%
2040	3.750%	0	-	1,611,788	1,582,345	29,443	-	-	-	-	2,288,112	41,140	2,329,251	2,329,251	0.0%
2041	3.750%	0	-	995,899	977,528	18,370	-	-	-	-	1,378,228	23,971	1,402,198	1,402,198	0.0%
2042	3.750%	0	-	640,207	628,865	11,342	-	-	-	-	789,364	13,317	802,680	802,680	0.0%
2043	3.750%	0	-	383,612	376,954	6,658	-	-	-	-	435,008	7,034	442,042	442,042	0.0%
2044	3.750%	0	-	227,327	223,566	3,761	-	-	-	-	223,601	3,467	227,068	227,068	0.0%
2045	3.750%	0	-	128,541	126,559	1,982	-	-	-	-	103,076	1,579	104,655	104,655	0.0%
2046	3.750%	0	-	66,478	65,542	936	-	-	-	-	40,182	684	40,866	40,866	0.0%
2047	3.750%	0	-	21,729	21,355	374	-	-	-	-	19,937	329	20,266	20,266	0.0%
2048	3.750%	0	-	11,390	11,200	190	-	-	-	-	9,277	147	9,424	9,424	0.0%
2049	3.750%	0	-	5,621	5,530	91	-	-	-	-	3,992	60	4,052	4,052	0.0%
2050	3.750%	0	-	2,572	2,532	40	-	-	-	-	1,562	22	1,584	1,584	0.0%
2051	3.750%	0	-	1,111	1,095	16	-	-	-	-	506	6	512	512	0.0%
2052	3.750%	0	-	414	409	5	-	-	-	-	108	1	109	109	0.0%
2053	3.750%	0	-	111	110	1	-	-	-	-	-	-	-	-	0.0%
2054	3.750%	0	-	-	-	-	-	-	-	-	-	-	-	-	0.0%

[a] *Additional contributions in the amount of $542,188,617 are needed over the years 2025 through 2053 to pay all benefits due.*

Open Group Projections
Scenario 2 — Continuing Business Scenario
Projection Based on Data as of June 30, 2017
Assumed Net Investment Return and Discount Rates Graded Down from 6.50% to 3.75% in 0.344% Yearly Increments
Other Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2017
500 New Contracts Per Year Beginning in FY 2019

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees and Expenses	Unfunded Liability	Funded Ratio
2017			$ 23,659,545	$ -	$ 143,458,888	$ 6,623,245	$ 65,190,202	$ 904,972,812	$ 45,893,324	$ 950,866,136	$ 1,228,565,451	$ 35,314,775	$ 1,263,880,226	$ 313,014,090	75.2%
2018	6.500%	0	13,277,529	-	152,763,917	4,887,821	54,204,937	814,803,540	35,174,135	849,977,675	1,150,771,619	32,566,061	1,183,337,680	333,360,005	71.8%
2019	6.156%	500	10,224,428	-	150,315,648	6,958,546	45,700,707	713,454,481	34,240,439	747,694,920	1,081,980,502	34,428,071	1,116,408,573	368,713,653	67.0%
2020	5.812%	500	17,284,530	-	151,593,382	7,132,510	37,413,736	609,426,855	34,090,063	643,516,918	1,004,980,086	36,416,221	1,041,396,307	397,879,389	61.8%
2021	5.468%	500	17,494,818	-	154,622,666	7,310,824	29,427,062	494,415,245	34,516,312	528,931,557	918,251,396	38,225,542	956,476,938	427,545,381	55.3%
2022	5.124%	500	18,657,087	-	144,827,371	7,493,593	21,952,147	382,703,515	34,607,154	417,310,669	835,015,422	39,879,006	874,894,427	457,583,758	47.7%
2023	4.780%	500	18,892,510	-	133,515,280	7,680,933	15,404,289	275,804,101	35,328,133	311,132,234	757,282,544	41,772,737	799,055,281	487,923,047	38.9%
2024	4.436%	500	20,031,271	-	129,108,222	7,872,957	9,668,867	168,523,060	36,686,790	205,209,850	678,986,434	43,660,697	722,647,131	517,437,281	28.4%
2025	4.092%	500	20,619,267	-	120,176,250	8,069,781	4,715,998	65,612,295	38,548,578	104,160,873	605,089,815	45,472,095	650,561,909	546,401,036	16.0%
2026	3.750%	500	21,578,994	30,009,447	110,148,119	8,271,525	1,218,908	-	40,532,858	40,532,858	537,220,755	46,840,922	584,061,678	543,528,820	6.9%
2027	3.750%	500	22,818,626	81,343,433	95,683,745	8,478,314	-	-	42,526,870	42,526,870	482,365,959	48,203,313	530,569,272	488,042,402	8.0%
2028	3.750%	500	23,980,762	70,425,139	85,715,630	8,690,271	-	-	44,684,578	44,684,578	436,552,389	49,224,592	485,776,981	441,092,403	9.2%
2029	3.750%	500	25,221,441	55,034,624	71,348,536	8,907,529	-	-	46,963,632	46,963,632	404,701,923	50,017,812	454,719,735	407,756,103	10.3%
2030	3.750%	500	26,553,108	42,016,654	59,439,546	9,130,216	-	-	49,321,051	49,321,051	385,000,416	50,680,191	435,680,607	386,359,556	11.3%
2031	3.750%	500	27,859,484	31,340,217	49,841,229	9,358,472	-	-	51,847,252	51,847,252	375,578,672	51,315,546	426,894,218	375,046,966	12.1%
2032	3.750%	500	29,303,336	22,774,114	42,485,016	9,592,433	-	-	54,468,795	54,468,795	374,585,360	51,998,835	426,584,194	372,115,399	12.8%
2033	3.750%	500	30,837,295	16,910,625	37,915,675	9,832,245	-	-	57,192,234	57,192,234	379,819,779	52,774,757	432,594,536	375,402,302	13.2%
2034	3.750%	500	32,457,025	12,494,566	34,873,541	10,078,050	-	-	60,051,846	60,051,846	389,897,795	53,671,765	443,569,559	383,517,713	13.5%
2035	3.750%	500	34,079,877	9,666,016	33,415,891	10,330,002	-	-	63,054,438	63,054,438	403,565,604	54,673,366	458,238,970	395,184,532	13.8%
2036	3.750%	500	35,783,871	7,465,431	32,661,050	10,588,252	-	-	66,207,160	66,207,160	420,297,147	55,857,872	476,155,019	409,947,859	13.9%
2037	3.750%	500	37,573,064	5,816,809	32,536,915	10,852,958	-	-	69,517,518	69,517,518	439,362,706	57,240,156	496,602,862	427,085,344	14.0%
2038	3.750%	500	39,451,717	5,114,424	33,441,859	11,124,282	-	-	72,993,394	72,993,394	460,186,276	58,764,548	518,950,824	445,957,430	14.1%
2039	3.750%	500	41,424,303	4,831,453	34,853,367	11,402,389	-	-	76,643,064	76,643,064	482,554,913	60,373,101	542,928,015	466,284,951	14.1%
2040	3.750%	500	43,495,518	4,612,068	36,420,137	11,687,449	-	-	80,475,217	80,475,217	506,446,141	62,045,083	568,491,223	488,016,006	14.2%
2041	3.750%	500	45,670,294	4,614,877	38,305,535	11,979,635	-	-	84,498,978	84,498,978	531,661,082	63,756,583	595,417,664	510,918,686	14.2%
2042	3.750%	500	47,953,809	4,697,018	40,371,701	12,279,126	-	-	88,723,927	88,723,927	558,162,337	65,481,542	623,643,878	534,919,951	14.2%
2043	3.750%	500	50,351,499	4,710,023	42,475,418	12,586,104	-	-	93,160,123	93,160,123	586,038,646	67,212,269	653,250,915	560,090,792	14.3%
2044	3.750%	500	52,869,074	4,689,900	44,658,217	12,900,757	-	-	97,818,129	97,818,129	615,322,157	68,947,649	684,269,806	586,451,677	14.3%
2045	3.750%	500	55,512,528	4,651,612	46,940,864	13,223,276	-	-	102,709,036	102,709,036	646,081,050	70,686,434	716,767,484	614,058,448	14.3%
2046	3.750%	500	58,288,154	4,582,772	49,317,069	13,553,857	-	-	107,844,488	107,844,488	678,390,788	72,435,223	750,826,011	642,981,523	14.4%
2047	3.750%	500	61,202,562	4,480,015	51,789,873	13,892,704	-	-	113,236,712	113,236,712	712,320,764	74,202,803	786,523,567	673,286,855	14.4%
2048	3.750%	500	64,262,690	4,388,482	54,411,151	14,240,021	-	-	118,898,548	118,898,548	747,938,467	75,999,131	823,937,598	705,039,050	14.4%
2049	3.750%	500	67,475,825	4,265,895	57,145,698	14,596,022	-	-	124,843,475	124,843,475	785,336,405	77,836,251	863,172,656	738,329,181	14.5%
2050	3.750%	500	70,849,616	4,117,945	60,006,638	14,960,923	-	-	131,085,649	131,085,649	824,603,811	79,724,640	904,328,451	773,242,802	14.5%
2051	3.750%	500	74,392,097	3,951,987	63,009,138	15,334,946	-	-	137,639,931	137,639,931	865,834,290	81,672,115	947,506,405	809,866,474	14.5%
2052	3.750%	500	78,111,702	3,767,350	66,160,733	15,718,319	-	-	144,521,928	144,521,928	909,126,146	83,682,809	992,808,955	848,287,027	14.6%
2053	3.750%	500	82,017,287	3,563,336	69,469,346	16,111,277	-	-	151,748,024	151,748,024	954,582,518	85,759,275	1,040,341,793	888,593,769	14.6%
2054	3.750%	500	86,118,151	3,339,005	72,943,097	16,514,059	-	-	159,335,425	159,335,425	1,002,311,673	87,903,110	1,090,214,783	930,879,358	14.6%

[a] *Additional contributions in the amount of $459,675,237 are needed over the years 2026 through 2054 to pay all benefits due.*

Open Group Projections
Scenario 3 — Continuing Business Scenario
Projection Based on Data as of June 30, 2017
Assumed Net Investment Return and Discount Rates Graded Down from 6.50% to 3.75% in 0.275% Yearly Increments
Other Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2017
1,000 New Contracts Per Year Beginning in FY 2019

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees and Expenses	Unfunded Liability	Funded Ratio
2017			$ 23,659,545	$ -	$ 143,458,888	$ 6,623,245	$ 65,190,202	$ 904,972,812	$ 45,737,842	$ 950,710,654	$ 1,216,684,307	$ 35,025,291	$ 1,251,709,598	$ 300,998,944	76.0%
2018	6.500%	0	13,277,529	-	152,763,917	4,887,821	54,204,937	814,803,540	35,008,546	849,812,086	1,138,118,201	32,257,760	1,170,375,961	320,563,875	72.6%
2019	6.225%	1,000	10,224,428	-	150,315,648	6,958,546	46,213,690	713,967,464	41,406,676	755,374,140	1,083,838,327	34,111,112	1,117,949,439	362,575,299	67.6%
2020	5.950%	1,000	26,404,598	-	151,614,617	7,132,510	38,600,759	620,225,694	47,838,341	668,064,035	1,023,649,435	36,103,112	1,059,752,547	391,688,512	63.0%
2021	5.675%	1,000	28,648,740	-	154,909,162	7,310,824	31,460,022	518,114,470	54,009,633	572,124,103	955,998,765	37,923,591	993,922,357	421,798,254	57.6%
2022	5.400%	1,000	31,900,615	-	145,403,894	7,493,593	24,754,217	421,871,815	58,913,808	480,785,623	894,059,399	39,590,001	933,649,400	452,863,777	51.5%
2023	5.125%	1,000	34,292,776	-	134,394,490	7,680,933	18,893,509	332,982,677	63,417,882	396,400,559	839,505,329	41,489,062	880,994,391	484,593,832	45.0%
2024	4.850%	1,000	37,665,650	-	130,579,456	7,872,957	13,734,518	245,930,432	68,308,788	314,239,220	786,107,150	43,366,455	829,473,605	515,234,385	37.9%
2025	4.575%	1,000	39,718,783	-	122,324,744	8,069,781	9,200,306	164,454,997	73,525,454	237,980,451	738,494,749	45,144,236	783,638,986	545,658,535	30.4%
2026	4.300%	1,000	42,109,690	-	113,200,636	8,271,525	5,383,230	90,475,756	78,728,255	169,204,011	697,783,153	46,616,689	744,399,842	575,195,831	22.7%
2027	4.025%	1,000	44,783,096	-	100,022,447	8,478,314	2,371,981	29,130,072	83,687,222	112,817,294	668,770,608	48,111,501	716,882,109	604,064,815	15.7%
2028	3.750%	1,000	47,379,956	23,294,705	91,655,624	8,690,271	541,162	-	88,543,766	88,543,766	647,302,580	49,152,434	696,455,014	607,911,248	12.7%
2029	3.750%	1,000	50,041,859	38,010,363	79,144,693	8,907,529	-	-	93,479,394	93,479,394	639,867,088	49,965,528	689,832,616	596,353,222	13.6%
2030	3.750%	1,000	52,812,113	25,623,699	69,305,596	9,130,216	-	-	98,477,005	98,477,005	644,600,889	50,646,560	695,247,449	596,770,444	14.2%
2031	3.750%	1,000	55,594,997	15,653,488	61,890,013	9,358,472	-	-	103,649,489	103,649,489	659,549,437	51,297,146	710,846,583	607,197,094	14.6%
2032	3.750%	1,000	58,560,821	7,897,885	56,866,272	9,592,433	-	-	108,937,589	108,937,589	682,753,372	51,990,874	734,744,245	625,806,656	14.8%
2033	3.750%	1,000	61,674,589	2,959,173	54,801,517	9,832,245	-	-	114,384,469	114,384,469	712,152,072	52,773,600	764,925,672	650,541,203	15.0%
2034	3.750%	1,000	64,914,051	-	54,191,948	10,078,050	11,965	656,018	120,103,692	120,759,710	746,371,431	53,674,403	800,045,833	679,286,123	15.1%
2035	3.750%	1,000	68,159,753	-	55,231,274	10,330,002	72,874	3,327,369	126,108,877	129,436,246	784,269,661	54,677,641	838,947,302	709,511,056	15.4%
2036	3.750%	1,000	71,567,741	-	56,941,833	10,588,252	199,786	7,564,811	132,414,321	139,979,132	825,411,388	55,864,068	881,275,456	741,296,324	15.9%
2037	3.750%	1,000	75,146,128	-	59,280,546	10,852,958	376,802	12,954,237	139,035,037	151,989,274	868,874,056	57,248,957	926,123,013	774,133,739	16.4%
2038	3.750%	1,000	78,903,435	-	62,931,644	11,124,282	575,838	18,377,584	145,986,788	164,364,372	914,177,265	58,776,731	972,953,996	808,589,624	16.9%
2039	3.750%	1,000	82,848,606	-	67,086,693	11,402,389	770,148	23,507,256	153,286,128	176,793,384	961,350,932	60,388,274	1,021,739,207	844,945,823	17.3%
2040	3.750%	1,000	86,991,037	-	71,257,929	11,687,449	956,680	28,509,595	160,950,434	189,460,029	1,010,604,170	62,061,255	1,072,665,424	883,205,395	17.7%
2041	3.750%	1,000	91,340,588	-	75,633,541	11,979,635	1,138,356	33,375,362	168,997,956	202,373,318	1,061,943,936	63,770,712	1,125,714,647	923,341,329	18.0%
2042	3.750%	1,000	95,907,618	-	80,114,538	12,279,126	1,316,856	38,206,172	177,447,854	215,654,026	1,115,535,311	65,489,326	1,181,024,636	965,370,610	18.3%
2043	3.750%	1,000	100,702,999	-	84,573,883	12,586,104	1,498,552	43,247,736	186,320,246	229,567,982	1,171,642,285	67,211,920	1,238,854,205	1,009,286,223	18.5%
2044	3.750%	1,000	105,738,149	-	89,092,868	12,900,757	1,691,354	48,683,614	195,636,259	244,319,873	1,230,420,714	68,941,311	1,299,362,025	1,055,042,152	18.8%
2045	3.750%	1,000	111,025,056	-	93,755,170	13,223,276	1,900,811	54,631,035	205,418,072	260,049,107	1,292,059,024	70,677,120	1,362,736,144	1,102,687,037	19.1%
2046	3.750%	1,000	116,576,309	-	98,568,595	13,553,857	2,131,405	61,216,297	215,688,975	276,905,272	1,356,741,393	72,425,528	1,429,166,921	1,152,261,649	19.4%
2047	3.750%	1,000	122,405,124	-	103,558,390	13,892,704	2,387,644	68,557,971	226,473,424	295,031,395	1,424,621,591	74,194,665	1,498,816,256	1,203,784,861	19.7%
2048	3.750%	1,000	128,525,381	-	108,811,102	14,240,021	2,672,622	76,704,851	237,797,095	314,501,946	1,495,867,657	75,993,609	1,571,861,266	1,257,359,320	20.0%
2049	3.750%	1,000	134,951,650	-	114,285,867	14,596,022	2,989,193	85,763,805	249,686,950	335,450,755	1,570,668,818	77,833,415	1,648,502,233	1,313,051,478	20.3%
2050	3.750%	1,000	141,699,232	-	120,010,743	14,960,923	3,341,124	95,832,495	262,171,298	358,003,793	1,649,206,061	79,724,029	1,728,930,090	1,370,926,297	20.7%
2051	3.750%	1,000	148,784,194	-	126,017,181	15,334,946	3,731,787	106,996,349	275,279,862	382,276,211	1,731,668,075	81,673,105	1,813,341,180	1,431,064,969	21.1%
2052	3.750%	1,000	156,223,403	-	132,321,058	15,718,319	4,164,401	119,344,776	289,043,856	408,388,632	1,818,252,183	83,684,667	1,901,936,850	1,493,548,218	21.5%
2053	3.750%	1,000	164,034,574	-	138,938,582	16,111,277	4,642,342	132,971,833	303,496,048	436,467,881	1,909,165,035	85,761,459	1,994,926,494	1,558,458,613	21.9%
2054	3.750%	1,000	172,236,302	-	145,886,194	16,514,059	5,169,172	147,977,054	318,670,851	466,647,905	2,004,623,347	87,905,316	2,092,528,663	1,625,880,758	22.3%

[a] *Additional contributions in the amount of $113,439,313 are needed over the years 2028 through 2033 to pay all benefits due.*

Open Group Projections
Scenario 4 — Continuing Business Scenario
Projection Based on Data as of June 30, 2017
6.50% Assumed Net Investment Return
Other Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2017
1,500 New Contracts Per Year Beginning in FY 2019

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions	Tuition Payments, Refunds and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees and Expenses	Unfunded Liability	Funded Ratio
2017			$ 23,659,545	$ -	$ 143,458,888	$ 6,623,245	$ 65,190,202	$ 904,972,812	$ 45,100,689	$ 950,073,501	$ 1,158,066,530	$ 33,645,606	$ 1,191,712,136	$ 241,638,635	79.7%
2018	6.500%	0	13,277,529	-	152,763,917	4,887,821	54,204,937	814,803,540	34,329,978	849,133,518	1,075,690,268	30,788,396	1,106,478,665	257,345,147	76.7%
2019	6.500%	1,500	10,224,428	-	150,315,648	6,958,546	48,258,347	716,012,121	47,378,360	763,390,481	1,026,929,396	32,356,127	1,059,285,523	295,895,042	72.1%
2020	6.500%	1,500	35,524,667	-	151,635,853	7,132,510	42,598,423	635,366,848	59,584,202	694,951,050	974,706,588	34,060,508	1,008,767,096	313,816,046	68.9%
2021	6.500%	1,500	39,802,662	-	155,195,659	7,310,824	37,373,750	550,036,777	70,600,174	620,636,951	917,255,668	35,610,511	952,866,179	332,229,228	65.1%
2022	6.500%	1,500	45,144,144	-	145,980,417	7,493,593	32,287,094	473,994,005	79,346,413	553,340,418	867,553,825	37,023,120	904,576,945	351,236,527	61.2%
2023	6.500%	1,500	49,693,042	-	135,273,699	7,680,933	27,826,324	408,558,739	86,598,326	495,157,065	826,887,976	38,644,279	865,532,254	370,375,189	57.2%
2024	6.500%	1,500	55,300,030	-	132,050,690	7,872,957	23,849,346	347,784,468	93,930,681	441,715,149	788,859,916	40,220,895	829,080,810	387,365,661	53.3%
2025	6.500%	1,500	58,818,300	-	124,473,238	8,069,781	20,247,657	294,307,407	101,379,382	395,686,789	757,807,615	41,679,788	799,487,403	403,800,614	49.5%
2026	6.500%	1,500	62,640,385	-	116,253,152	8,271,525	17,150,404	249,573,519	108,683,559	358,257,078	734,483,061	42,828,502	777,311,562	419,054,484	46.1%
2027	6.500%	1,500	66,747,566	-	104,361,149	8,478,314	14,747,874	218,229,496	115,710,885	333,940,381	723,507,853	43,965,920	767,473,773	433,533,392	43.5%
2028	6.500%	1,500	70,779,149	-	97,595,618	8,690,271	13,049,114	195,771,870	122,740,604	318,512,474	720,709,158	44,794,211	765,503,369	446,990,895	41.6%
2029	6.500%	1,500	74,862,278	-	86,940,849	8,907,529	12,053,860	186,839,630	129,807,357	316,646,987	730,894,315	45,425,314	776,319,628	459,672,641	40.8%
2030	6.500%	1,500	79,071,117	-	79,171,645	9,130,216	11,849,299	189,458,185	136,912,540	326,370,725	752,383,350	45,955,682	798,339,031	471,968,306	40.9%
2031	6.500%	1,500	83,330,509	-	73,938,796	9,358,472	12,315,845	201,807,271	144,185,134	345,992,405	783,327,966	46,488,170	829,816,135	483,823,730	41.7%
2032	6.500%	1,500	87,818,305	-	71,247,528	9,592,433	13,340,698	222,126,312	151,574,097	373,700,409	821,806,728	47,081,384	868,888,112	495,187,703	43.0%
2033	6.500%	1,500	92,511,884	-	71,687,358	9,832,245	14,789,835	247,908,428	159,152,802	407,061,230	865,997,841	47,772,847	913,770,688	506,709,458	44.5%
2034	6.500%	1,500	97,371,076	-	73,510,356	10,078,050	16,554,933	278,246,031	167,110,442	445,356,473	914,594,920	48,580,555	963,175,475	517,819,002	46.2%
2035	6.500%	1,500	102,239,630	-	77,046,657	10,330,002	18,561,434	311,670,436	175,465,964	487,136,400	966,594,126	49,482,792	1,016,076,918	528,940,518	47.9%
2036	6.500%	1,500	107,351,612	-	81,222,615	10,588,252	20,755,701	347,966,882	184,239,262	532,206,144	1,021,656,369	50,569,661	1,072,226,030	540,019,886	49.6%
2037	6.500%	1,500	112,719,192	-	86,024,177	10,852,958	23,124,609	386,933,548	193,451,225	580,384,773	1,078,649,363	51,859,016	1,130,508,379	550,123,606	51.3%
2038	6.500%	1,500	118,355,152	-	92,421,428	11,124,282	25,624,411	427,367,401	203,123,787	630,491,188	1,137,146,265	53,290,349	1,190,436,614	559,945,426	53.0%
2039	6.500%	1,500	124,272,909	-	99,320,018	11,402,389	28,212,340	469,130,243	213,279,976	682,410,219	1,197,369,593	54,800,569	1,252,170,162	569,759,943	54.5%
2040	6.500%	1,500	130,486,555	-	106,095,720	11,687,449	30,899,826	512,733,455	223,943,975	736,677,430	1,259,712,174	56,363,947	1,316,076,120	579,398,690	56.0%
2041	6.500%	1,500	137,010,883	-	112,961,548	11,979,635	33,713,765	558,516,919	235,141,173	793,658,092	1,324,340,593	57,951,826	1,382,292,418	588,634,326	57.4%
2042	6.500%	1,500	143,861,427	-	119,857,374	12,279,126	36,678,661	606,920,507	246,898,232	853,818,739	1,391,576,652	59,534,432	1,451,111,083	597,292,344	58.8%
2043	6.500%	1,500	151,054,498	-	126,672,347	12,586,104	39,827,169	658,543,723	259,243,144	917,786,867	1,461,817,186	61,105,506	1,522,922,693	605,135,826	60.3%
2044	6.500%	1,500	158,607,223	-	133,527,519	12,900,757	43,194,927	713,917,597	272,205,301	986,122,898	1,535,301,583	62,668,491	1,597,970,073	611,847,175	61.7%
2045	6.500%	1,500	166,537,584	-	140,569,475	13,223,276	46,812,330	773,474,760	285,815,566	1,059,290,326	1,612,298,645	64,225,883	1,676,524,528	617,234,202	63.2%
2046	6.500%	1,500	174,864,463	-	147,820,122	13,553,857	50,707,398	837,672,642	300,106,344	1,137,778,986	1,693,061,673	65,788,195	1,758,849,868	621,070,882	64.7%
2047	6.500%	1,500	183,607,687	-	155,326,908	13,892,704	54,908,973	906,969,690	315,111,661	1,222,081,351	1,777,788,311	67,367,099	1,845,155,410	623,074,059	66.2%
2048	6.500%	1,500	192,788,071	-	163,211,054	14,240,021	59,443,635	981,750,321	330,867,244	1,312,617,565	1,866,705,044	68,975,169	1,935,680,213	623,062,648	67.8%
2049	6.500%	1,500	202,427,474	-	171,426,035	14,596,022	64,338,553	1,062,494,291	347,410,607	1,409,904,898	1,960,054,366	70,625,643	2,030,680,009	620,775,111	69.4%
2050	6.500%	1,500	212,548,848	-	180,014,849	14,960,923	69,624,263	1,149,691,630	364,781,137	1,514,472,767	2,058,063,895	72,329,119	2,130,393,015	615,920,248	71.1%
2051	6.500%	1,500	223,176,291	-	189,025,224	15,334,946	75,331,853	1,243,839,604	383,020,194	1,626,859,798	2,160,970,138	74,092,566	2,235,062,705	608,202,907	72.8%
2052	6.500%	1,500	234,335,105	-	198,481,382	15,718,319	81,493,673	1,345,468,681	402,171,203	1,747,639,884	2,269,019,886	75,918,411	2,344,938,297	597,298,413	74.5%
2053	6.500%	1,500	246,051,860	-	208,407,817	16,111,277	88,144,262	1,455,145,709	422,279,764	1,877,425,473	2,382,471,293	77,808,128	2,460,279,421	582,853,948	76.3%
2054	6.500%	1,500	258,354,453	-	218,829,291	16,514,059	95,320,559	1,573,477,371	443,393,752	2,016,871,123	2,501,594,947	79,762,670	2,581,357,617	564,486,494	78.1%

Open Group Projections
Scenario 5 — Continuing Business Scenario
Projection Based on Data as of June 30, 2017
6.50% Assumed Net Investment Return
Other Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2017
2,500 New Contracts Per Year Beginning in FY 2019

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions	Tuition Payments, Refunds and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees and Expenses	Unfunded Liability	Funded Ratio
2017			$ 23,659,545	$ -	$ 143,458,888	$ 6,623,245	$ 65,190,202	$ 904,972,812	$ 45,100,689	$ 950,073,501	$ 1,158,066,530	$ 33,645,606	$ 1,191,712,136	$ 241,638,635	79.7%
2018	6.500%	0	13,277,529	-	152,763,917	4,887,821	54,204,937	814,803,540	34,329,978	849,133,518	1,075,690,268	30,788,396	1,106,478,665	257,345,147	76.7%
2019	6.500%	2,500	10,224,428	-	150,315,648	6,958,546	48,258,347	716,012,121	61,623,976	777,636,097	1,051,224,903	32,356,127	1,083,581,030	305,944,933	71.8%
2020	6.500%	2,500	53,764,804	-	151,678,325	7,132,510	43,180,536	654,146,626	86,457,034	740,603,660	1,025,546,285	34,060,508	1,059,606,793	319,003,133	69.9%
2021	6.500%	2,500	62,110,505	-	155,768,652	7,310,824	39,289,698	592,467,353	108,344,228	700,811,581	997,044,134	35,610,511	1,032,654,645	331,843,064	67.9%
2022	6.500%	2,500	71,631,200	-	147,133,464	7,493,593	35,855,476	545,326,972	126,039,802	671,366,774	978,889,699	37,023,120	1,015,912,819	344,546,045	66.1%
2023	6.500%	2,500	80,493,575	-	137,032,118	7,680,933	33,391,977	514,499,473	140,125,686	654,625,159	972,008,707	38,644,279	1,010,652,985	356,027,826	64.8%
2024	6.500%	2,500	90,568,789	-	134,993,158	7,872,957	31,769,559	493,971,706	153,722,004	647,693,710	970,042,900	40,220,895	1,010,263,794	362,570,084	64.1%
2025	6.500%	2,500	97,017,333	-	128,770,226	8,069,781	30,834,298	484,983,331	166,998,188	651,981,519	977,084,210	41,679,788	1,018,763,998	366,782,479	64.0%
2026	6.500%	2,500	103,701,776	-	122,358,185	8,271,525	30,662,536	488,717,933	179,765,153	668,483,086	993,305,546	42,828,502	1,036,134,047	367,650,961	64.5%
2027	6.500%	2,500	110,676,506	-	113,038,553	8,478,314	31,419,900	509,297,472	191,975,699	701,273,171	1,022,854,077	43,965,920	1,066,819,997	365,546,826	65.7%
2028	6.500%	2,500	117,577,536	-	109,475,606	8,690,271	33,085,516	541,794,647	204,035,087	745,829,734	1,061,180,102	44,794,211	1,105,974,313	360,144,579	67.4%
2029	6.500%	2,500	124,503,115	-	102,533,162	8,907,529	35,634,498	590,491,569	216,054,291	806,545,860	1,112,778,789	45,425,314	1,158,204,102	351,658,242	69.6%
2030	6.500%	2,500	131,589,126	-	98,903,744	9,130,216	39,135,443	653,182,178	228,079,670	881,261,848	1,175,850,433	45,955,682	1,221,806,114	340,544,266	72.1%
2031	6.500%	2,500	138,801,535	-	98,036,363	9,358,472	43,461,491	728,050,369	240,278,937	968,329,306	1,248,347,784	46,488,170	1,294,835,953	326,506,647	74.8%
2032	6.500%	2,500	146,333,275	-	100,010,040	9,592,433	48,498,233	813,279,403	252,623,495	1,065,902,898	1,328,096,300	47,081,384	1,375,177,684	309,274,786	77.5%
2033	6.500%	2,500	154,186,473	-	105,459,042	9,832,245	54,107,355	906,281,944	265,254,670	1,171,536,614	1,413,513,715	47,772,847	1,461,286,562	289,749,948	80.2%
2034	6.500%	2,500	162,285,127	-	112,147,171	10,078,050	60,189,778	1,006,531,628	278,517,403	1,285,049,031	1,503,272,616	48,580,555	1,551,853,171	266,804,140	82.8%
2035	6.500%	2,500	170,399,384	-	120,677,424	10,330,002	66,684,640	1,112,608,226	292,443,273	1,405,051,499	1,596,550,623	49,482,792	1,646,033,415	240,981,916	85.4%
2036	6.500%	2,500	178,919,353	-	129,784,181	10,588,252	73,552,588	1,224,707,734	307,065,437	1,531,773,171	1,693,148,013	50,569,661	1,743,717,674	211,944,503	87.8%
2037	6.500%	2,500	187,865,320	-	139,511,438	10,852,958	80,805,596	1,343,014,254	322,418,709	1,665,432,963	1,791,497,252	51,859,016	1,843,356,268	177,923,305	90.3%
2038	6.500%	2,500	197,258,586	-	151,400,996	11,124,282	88,406,988	1,466,154,550	338,539,644	1,804,694,194	1,891,304,726	53,290,349	1,944,595,075	139,900,881	92.8%
2039	6.500%	2,500	207,121,516	-	163,786,669	11,402,389	96,321,513	1,594,408,521	355,466,626	1,949,875,147	1,993,223,470	54,800,569	2,048,024,039	98,148,892	95.2%
2040	6.500%	2,500	217,477,591	-	175,771,304	11,687,449	104,596,808	1,729,024,167	373,239,958	2,102,264,125	2,098,060,899	56,363,947	2,154,424,845	52,160,720	97.6%
2041	6.500%	2,500	228,351,471	-	187,617,561	11,979,635	113,306,373	1,871,084,814	391,901,956	2,262,986,770	2,206,352,603	57,951,826	2,264,304,428	1,317,658	99.9%
2042	6.500%	2,500	239,769,045	-	199,343,047	12,279,126	122,520,886	2,021,752,572	411,497,053	2,433,249,625	2,318,788,043	59,534,432	2,378,322,474	(54,927,151)	102.3%
2043	6.500%	2,500	251,757,497	-	210,869,276	12,586,104	132,319,256	2,182,373,945	432,071,906	2,614,445,851	2,436,082,027	61,105,506	2,497,187,534	(117,258,317)	104.7%
2044	6.500%	2,500	264,345,372	-	222,396,821	12,900,757	142,783,498	2,354,205,237	453,675,501	2,807,880,738	2,558,691,636	62,668,491	2,621,360,126	(186,520,612)	107.1%
2045	6.500%	2,500	277,562,640	-	234,198,086	13,223,276	153,987,511	2,538,334,026	476,359,276	3,014,693,302	2,687,097,763	64,225,883	2,751,323,646	(263,369,656)	109.6%
2046	6.500%	2,500	291,440,772	-	246,323,175	13,553,857	166,001,384	2,735,899,150	500,177,240	3,236,076,390	2,821,743,570	65,788,195	2,887,531,765	(348,544,625)	112.1%
2047	6.500%	2,500	306,012,811	-	258,863,943	13,892,704	178,897,255	2,948,052,569	525,186,102	3,473,238,671	2,962,967,643	67,367,099	3,030,334,742	(442,903,929)	114.6%
2048	6.500%	2,500	321,313,451	-	272,010,956	14,240,021	192,745,008	3,175,860,051	551,445,407	3,727,305,458	3,111,169,067	68,975,169	3,180,144,236	(547,161,222)	117.2%
2049	6.500%	2,500	337,379,124	-	285,706,372	14,596,022	207,616,928	3,420,553,709	579,017,678	3,999,571,387	3,266,754,685	70,625,643	3,337,380,328	(662,191,059)	119.8%
2050	6.500%	2,500	354,248,080	-	300,023,061	14,960,923	223,591,986	3,683,409,791	607,968,562	4,291,378,353	3,430,105,474	72,329,119	3,502,434,594	(788,943,759)	122.5%
2051	6.500%	2,500	371,960,484	-	315,041,310	15,334,946	240,751,848	3,965,745,867	638,366,990	4,604,112,857	3,601,616,567	74,092,566	3,675,709,134	(928,403,723)	125.3%
2052	6.500%	2,500	390,558,508	-	330,802,031	15,718,319	259,182,190	4,268,966,215	670,285,339	4,939,251,554	3,781,699,739	75,918,411	3,857,618,150	(1,081,633,404)	128.0%
2053	6.500%	2,500	410,086,434	-	347,346,289	16,111,277	278,974,386	4,594,569,469	703,799,606	5,298,369,075	3,970,785,489	77,808,128	4,048,593,617	(1,249,775,458)	130.9%
2054	6.500%	2,500	430,590,756	-	364,715,485	16,514,059	300,226,000	4,944,156,681	738,989,586	5,683,146,267	4,169,324,911	79,762,670	4,249,087,581	(1,434,058,686)	133.7%

Open Group Projections
Scenario 6 — Continuing Business Scenario
Projection Based on Data as of June 30, 2017
6.50% Assumed Net Investment Return
Other Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2017
5% Annual Sales Growth from 500 Contracts Sold in FY 2019 to 2,500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees and Expenses	Unfunded Liability	Funded Ratio
2017			$ 23,659,545	$ -	$ 143,458,888	$ 6,623,245	$ 65,190,202	$ 904,972,812	$ 45,100,689	$ 950,073,501	$ 1,158,066,530	$ 33,645,606	$ 1,191,712,136	$ 241,638,635	79.7%
2018	6.500%	0	13,277,529	-	152,763,917	4,887,821	54,204,937	814,803,540	34,329,978	849,133,518	1,075,690,268	30,788,396	1,106,478,665	257,345,147	76.7%
2019	6.500%	500	10,224,428	-	150,315,648	6,958,546	48,258,347	716,012,121	33,132,744	749,144,865	1,002,633,889	32,356,127	1,034,990,016	285,845,151	72.4%
2020	6.500%	525	17,284,530	-	151,593,382	7,132,510	42,016,309	616,587,068	33,085,317	649,672,385	924,504,648	34,060,508	958,565,156	308,892,771	67.8%
2021	6.500%	551	17,973,621	-	154,623,781	7,310,824	35,473,082	508,099,166	33,973,810	542,072,976	839,504,870	35,610,511	875,115,381	333,042,405	61.9%
2022	6.500%	579	19,770,549	-	144,843,641	7,493,593	28,785,853	404,318,334	34,876,059	439,194,393	760,558,928	37,023,120	797,582,048	358,387,655	55.1%
2023	6.500%	608	20,815,387	-	133,563,486	7,680,933	22,428,363	306,317,665	36,747,563	343,065,228	689,475,741	38,644,279	728,120,019	385,054,791	47.1%
2024	6.500%	638	22,959,756	-	129,207,527	7,872,957	16,260,112	208,457,049	39,597,898	248,054,947	619,984,967	40,220,895	660,205,861	412,150,914	37.6%
2025	6.500%	670	24,773,727	-	120,362,973	8,069,781	10,233,825	115,031,848	43,348,139	158,379,987	556,856,681	41,679,788	598,536,469	440,156,482	26.5%
2026	6.500%	704	27,162,012	-	110,466,778	8,271,525	4,547,694	28,003,251	47,689,746	75,692,997	501,620,628	42,828,502	544,449,129	468,756,132	13.9%
2027	6.500%	739	30,051,764	45,722,843	96,195,323	8,478,314	895,778	-	52,433,741	52,433,741	459,576,677	43,965,920	503,542,597	451,108,856	10.4%
2028	6.500%	776	33,108,432	62,089,266	86,507,427	8,690,271	-	-	57,766,979	57,766,979	427,141,142	44,794,211	471,935,353	414,168,374	12.2%
2029	6.500%	814	36,513,154	44,927,717	72,533,342	8,907,529	-	-	63,688,150	63,688,150	409,657,681	45,425,314	455,082,994	391,394,844	14.0%
2030	6.500%	855	40,305,294	29,980,015	61,155,093	9,130,216	-	-	70,200,211	70,200,211	405,804,979	45,955,682	451,760,660	381,560,449	15.5%
2031	6.500%	898	44,399,866	17,209,193	52,250,587	9,358,472	-	-	77,445,886	77,445,886	414,193,963	46,488,170	460,682,132	383,236,246	16.8%
2032	6.500%	943	48,995,222	6,371,106	45,773,894	9,592,433	-	-	85,410,558	85,410,558	433,438,037	47,081,384	480,519,421	395,108,863	17.8%
2033	6.500%	990	54,083,617	-	42,296,679	9,832,245	62,527	2,017,220	94,165,140	96,182,360	461,779,841	47,772,847	509,552,688	413,370,328	18.9%
2034	6.500%	1,039	59,705,054	-	40,590,104	10,078,050	420,195	11,474,315	103,817,067	115,291,382	498,275,421	48,580,555	546,855,976	431,564,594	21.1%
2035	6.500%	1,091	65,824,822	-	40,732,619	10,330,002	1,218,049	27,454,565	114,458,317	141,912,882	542,115,332	49,482,792	591,598,124	449,685,242	24.0%
2036	6.500%	1,146	72,571,866	-	41,873,049	10,588,252	2,427,851	49,992,981	126,190,294	176,183,275	593,240,250	50,569,661	643,809,911	467,626,636	27.4%
2037	6.500%	1,203	80,010,483	-	43,967,886	10,852,958	4,055,319	79,237,939	139,124,799	218,362,738	651,418,895	51,859,016	703,277,911	484,915,173	31.0%
2038	6.500%	1,263	88,211,557	-	47,448,545	11,124,282	6,098,561	114,975,230	153,385,091	268,360,321	716,593,268	53,290,349	769,883,617	501,523,296	34.9%
2039	6.500%	1,327	97,253,242	-	51,843,952	11,402,389	8,561,215	157,543,346	169,107,063	326,650,409	789,112,400	54,800,569	843,912,969	517,262,560	38.7%
2040	6.500%	1,393	107,221,699	-	56,844,506	11,687,449	11,477,939	207,711,029	186,440,537	394,151,566	869,579,957	56,363,947	925,943,903	531,792,337	42.6%
2041	6.500%	1,463	118,211,923	-	62,652,386	11,979,635	14,895,267	266,186,197	205,550,692	471,736,889	958,493,939	57,951,826	1,016,445,764	544,708,875	46.4%
2042	6.500%	1,536	130,328,645	-	69,173,825	12,279,126	18,865,557	333,927,448	226,619,638	560,547,086	1,056,590,380	59,534,432	1,116,124,811	555,577,725	50.2%
2043	6.500%	1,613	143,687,331	-	76,316,259	12,586,104	23,457,766	412,170,182	249,848,151	662,018,333	1,164,819,838	61,105,506	1,225,925,345	563,907,012	54.0%
2044	6.500%	1,693	158,415,283	-	84,177,913	12,900,757	28,753,120	502,259,915	275,457,586	777,717,501	1,284,173,392	62,668,491	1,346,841,882	569,124,381	57.7%
2045	6.500%	1,778	174,652,849	-	92,844,148	13,223,276	34,840,831	605,686,171	303,691,989	909,378,160	1,415,782,219	64,225,883	1,480,008,102	570,629,942	61.4%
2046	6.500%	1,867	192,554,766	-	102,383,190	13,553,857	41,820,477	724,124,367	334,820,418	1,058,944,785	1,560,899,921	65,788,195	1,626,688,116	567,743,331	65.1%
2047	6.500%	1,960	212,291,630	-	112,880,977	13,892,704	49,803,664	859,445,980	369,139,510	1,228,585,490	1,720,900,339	67,367,099	1,788,267,438	559,681,948	68.7%
2048	6.500%	2,058	234,051,522	-	124,481,941	14,240,021	58,913,426	1,013,688,966	406,976,310	1,420,665,276	1,897,293,203	68,975,169	1,966,268,372	545,603,096	72.3%
2049	6.500%	2,161	258,041,803	-	137,254,741	14,596,022	69,286,661	1,189,166,667	448,691,382	1,637,858,049	2,091,766,259	70,625,643	2,162,391,902	524,533,853	75.7%
2050	6.500%	2,269	284,491,088	-	151,326,716	14,960,923	81,076,969	1,388,447,085	494,682,249	1,883,129,334	2,306,172,663	72,329,119	2,378,501,783	495,372,449	79.2%
2051	6.500%	2,382	313,651,424	-	166,839,740	15,334,946	94,454,787	1,614,378,610	545,387,179	2,159,765,789	2,542,555,559	74,092,566	2,616,648,126	456,882,337	82.5%
2052	6.500%	2,500	345,800,695	-	183,941,895	15,718,319	109,609,406	1,870,128,497	601,175,736	2,471,304,233	2,802,973,824	75,918,411	2,878,892,235	407,588,002	85.8%
2053	6.500%	2,500	381,099,775	-	202,796,154	16,111,277	126,746,621	2,159,067,462	653,346,563	2,812,414,025	3,074,122,565	77,808,128	3,151,930,693	339,516,668	89.2%
2054	6.500%	2,500	408,159,607	-	223,550,934	16,514,059	145,716,458	2,472,878,534	702,592,047	3,175,470,581	3,355,624,698	79,762,670	3,435,387,368	259,916,787	92.4%

[a] *Additional contributions in the amount of $206,300,140 are needed over the years 2027 through 2032 to pay all benefits due.*

Open Group Projections
Scenario 7— Continuing Business Scenario
Projection Based on Data as of June 30, 2017
6.50% Assumed Net Investment Return
Other Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2017
10% Annual Sales Growth from 500 Contracts Sold in FY 2019 to 2,500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees and Expenses	Unfunded Liability	Funded Ratio
2017			$ 23,659,545	$ -	$ 143,458,888	$ 6,623,245	$ 65,190,202	$ 904,972,812	$ 45,100,689	$ 950,073,501	$ 1,158,066,530	$ 33,645,606	$ 1,191,712,136	$ 241,638,635	79.7%
2018	6.500%	0	13,277,529	-	152,763,917	4,887,821	54,204,937	814,803,540	34,329,978	849,133,518	1,075,690,268	30,788,396	1,106,478,665	257,345,147	76.7%
2019	6.500%	500	10,224,428	-	150,315,648	6,958,546	48,258,347	716,012,121	33,132,744	749,144,865	1,002,633,889	32,356,127	1,034,990,016	285,845,151	72.4%
2020	6.500%	550	17,284,530	-	151,593,382	7,132,510	42,016,309	616,587,068	33,459,264	650,046,332	925,142,405	34,060,508	959,202,913	309,156,581	67.8%
2021	6.500%	605	18,452,425	-	154,624,895	7,310,824	35,488,362	508,592,136	35,130,763	543,722,899	841,609,504	35,610,511	877,220,015	333,497,116	62.0%
2022	6.500%	666	20,934,285	-	144,860,029	7,493,593	28,854,598	406,027,397	37,261,800	443,289,197	765,191,205	37,023,120	802,214,325	358,925,128	55.3%
2023	6.500%	732	22,913,244	-	133,613,535	7,680,933	22,604,958	310,251,131	40,845,504	351,096,635	697,976,488	38,644,279	736,620,766	385,524,131	47.7%
2024	6.500%	805	26,292,247	-	129,314,023	7,872,957	16,618,982	215,975,380	45,929,136	261,904,516	634,017,446	40,220,895	674,238,340	412,333,824	38.8%
2025	6.500%	886	29,702,304	-	120,568,429	8,069,781	10,873,601	127,913,076	52,516,813	180,429,889	578,466,420	41,679,788	620,146,208	439,716,319	29.1%
2026	6.500%	974	34,075,352	-	110,826,678	8,271,525	5,594,607	48,484,832	60,400,406	108,885,238	533,297,983	42,828,502	576,126,484	467,241,246	18.9%
2027	6.500%	1,072	39,407,642	15,822,884	96,787,995	8,478,314	1,550,951	-	69,510,054	69,510,054	504,321,015	43,965,920	548,286,935	478,776,881	12.7%
2028	6.500%	1,179	45,447,345	50,689,528	87,446,602	8,690,271	-	-	80,173,924	80,173,924	488,537,981	44,794,211	533,332,192	453,158,268	15.0%
2029	6.500%	1,297	52,472,259	30,406,779	73,971,509	8,907,529	-	-	92,558,996	92,558,996	491,970,796	45,425,314	537,396,109	444,837,113	17.2%
2030	6.500%	1,427	60,633,947	11,783,945	63,287,676	9,130,216	-	-	106,866,727	106,866,727	514,085,106	45,955,682	560,040,787	453,174,060	19.1%
2031	6.500%	1,569	69,980,048	-	55,321,754	9,358,472	169,533	5,469,355	123,472,726	128,942,081	554,410,178	46,488,170	600,898,347	471,956,266	21.5%
2032	6.500%	1,726	80,864,816	-	50,080,145	9,592,433	1,033,413	27,695,005	142,635,135	170,330,140	612,628,542	47,081,384	659,709,926	489,379,786	25.8%
2033	6.500%	1,899	93,462,840	-	48,198,080	9,832,245	2,933,604	66,061,124	164,743,580	230,804,704	688,225,821	47,772,847	735,998,668	505,193,964	31.4%
2034	6.500%	2,089	108,027,447	-	48,522,732	10,078,050	5,875,052	121,362,841	190,278,835	311,641,676	781,715,958	48,580,555	830,296,513	518,654,837	37.5%
2035	6.500%	2,297	124,771,701	-	51,209,140	10,330,002	9,911,291	194,506,691	219,772,055	414,278,746	893,990,747	49,482,792	943,473,539	529,194,793	43.9%
2036	6.500%	2,500	144,111,315	-	55,502,868	10,588,252	15,138,674	287,665,560	252,947,463	540,613,023	1,025,463,682	50,569,661	1,076,033,343	535,420,320	50.2%
2037	6.500%	2,500	165,309,956	-	61,466,046	10,852,958	21,672,891	402,329,403	282,839,605	685,169,008	1,164,826,423	51,859,016	1,216,685,439	531,516,431	56.3%
2038	6.500%	2,500	179,761,743	-	69,604,549	11,124,282	29,319,313	530,681,628	309,916,830	840,598,458	1,311,049,783	53,290,349	1,364,340,132	523,741,674	61.6%
2039	6.500%	2,500	194,011,938	-	79,338,537	11,402,389	37,797,777	671,750,417	334,804,205	1,006,554,622	1,463,295,242	54,800,569	1,518,095,811	511,541,189	66.3%
2040	6.500%	2,500	207,961,132	-	90,457,080	11,687,449	47,048,678	824,615,698	358,324,693	1,182,940,391	1,620,753,898	56,363,947	1,677,117,844	494,177,453	70.5%
2041	6.500%	2,500	221,481,031	-	103,249,787	11,979,635	56,998,836	987,866,142	381,436,078	1,369,302,220	1,782,527,092	57,951,826	1,840,478,917	471,176,697	74.4%
2042	6.500%	2,500	234,518,134	-	117,456,034	12,279,126	67,563,136	1,160,212,252	404,407,780	1,564,620,032	1,947,778,124	59,534,432	2,007,312,555	442,692,523	77.9%
2043	6.500%	2,500	247,826,361	-	132,996,064	12,586,104	78,684,422	1,341,140,867	427,474,918	1,768,615,785	2,115,859,792	61,105,506	2,176,965,299	408,349,514	81.2%
2044	6.500%	2,500	261,483,821	-	149,815,258	12,900,757	90,333,578	1,530,242,251	450,865,250	1,981,107,501	2,286,311,940	62,668,491	2,348,980,430	367,872,929	84.3%
2045	6.500%	2,500	275,541,744	-	167,669,251	13,223,276	102,493,421	1,727,384,889	474,788,338	2,202,173,227	2,458,924,048	64,225,883	2,523,149,931	320,976,704	87.3%
2046	6.500%	2,500	290,062,870	-	186,331,548	13,553,857	115,164,648	1,932,727,002	499,413,899	2,432,140,901	2,633,683,564	65,788,195	2,699,471,759	267,330,858	90.1%
2047	6.500%	2,500	305,131,301	-	205,622,064	13,892,704	128,365,989	2,146,709,524	524,894,226	2,671,603,750	2,810,744,221	67,367,099	2,878,111,320	206,507,570	92.8%
2048	6.500%	2,500	320,808,520	-	225,440,194	14,240,021	142,131,281	2,369,969,110	551,378,698	2,921,347,808	2,990,355,983	68,975,169	3,059,331,152	137,983,344	95.5%
2049	6.500%	2,500	337,142,553	-	245,681,831	14,596,022	156,506,769	2,603,340,579	579,017,678	3,182,358,257	3,172,954,987	70,625,643	3,243,580,630	61,222,373	98.1%
2050	6.500%	2,500	354,179,237	-	266,237,568	14,960,923	171,551,673	2,847,872,998	607,968,562	3,455,841,560	3,359,158,342	72,329,119	3,431,487,462	(24,354,098)	100.7%
2051	6.500%	2,500	371,960,484	-	286,989,107	15,334,946	187,339,301	3,104,848,730	638,366,990	3,743,215,720	3,549,551,873	74,092,566	3,623,644,440	(119,571,280)	103.3%
2052	6.500%	2,500	390,558,508	-	308,036,269	15,718,319	203,952,116	3,375,604,766	670,285,339	4,045,890,105	3,744,812,332	75,918,411	3,820,730,743	(225,159,362)	105.9%
2053	6.500%	2,500	410,086,434	-	329,360,145	16,111,277	221,481,239	3,661,701,017	703,799,606	4,365,500,623	3,945,615,376	77,808,128	4,023,423,504	(342,077,119)	108.5%
2054	6.500%	2,500	430,590,756	-	351,038,030	16,514,059	240,027,070	3,964,766,754	738,989,586	4,703,756,340	4,152,693,854	79,762,670	4,232,456,524	(471,299,816)	111.1%

[a] *Additional contributions in the amount of $108,703,136 are needed over the years 2027 through 2030 to pay all benefits due.*

Open Group Projections
Scenario 8 — Continuing Business Scenario
Projection Based on Data as of June 30, 2017
6.50% Assumed Net Investment Return
Other Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2017
15% Annual Sales Growth from 500 Contracts Sold in FY 2019 to 2,500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees and Expenses	Unfunded Liability	Funded Ratio
2017			$ 23,659,545	$ -	$ 143,458,888	$ 6,623,245	$ 65,190,202	$ 904,972,812	$ 45,100,689	$ 950,073,501	$ 1,158,066,530	$ 33,645,606	$ 1,191,712,136	$ 241,638,635	79.7%
2018	6.500%	0	13,277,529	-	152,763,917	4,887,821	54,204,937	814,803,540	34,329,978	849,133,518	1,075,690,268	30,788,396	1,106,478,665	257,345,147	76.7%
2019	6.500%	500	10,224,428	-	150,315,648	6,958,546	48,258,347	716,012,121	33,132,744	749,144,865	1,002,633,889	32,356,127	1,034,990,016	285,845,151	72.4%
2020	6.500%	575	17,284,530	-	151,593,382	7,132,510	42,016,309	616,587,068	33,833,212	650,420,280	925,780,162	34,060,508	959,840,670	309,420,390	67.8%
2021	6.500%	661	18,931,229	-	154,626,010	7,310,824	35,503,643	509,085,106	36,326,981	545,412,087	843,781,102	35,610,511	879,391,613	333,979,526	62.0%
2022	6.500%	760	22,148,296	-	144,876,533	7,493,593	28,924,948	407,788,224	39,816,433	447,604,657	770,125,328	37,023,120	807,148,448	359,543,791	55.5%
2023	6.500%	875	25,194,000	-	133,665,446	7,680,933	22,790,709	314,426,554	45,397,886	359,824,440	707,328,104	38,644,279	745,972,382	386,147,942	48.2%
2024	6.500%	1,006	30,065,862	-	129,428,022	7,872,957	17,007,449	224,198,886	53,239,393	277,438,279	649,969,927	40,220,895	690,190,821	412,752,542	40.2%
2025	6.500%	1,157	35,513,450	-	120,794,128	8,069,781	11,586,798	142,435,226	63,532,434	205,967,660	603,867,970	41,679,788	645,547,758	439,580,098	31.9%
2026	6.500%	1,330	42,571,895	-	111,232,595	8,271,525	6,797,353	72,300,354	76,303,964	148,604,318	571,822,975	42,828,502	614,651,476	466,047,158	24.2%
2027	6.500%	1,530	51,401,138	-	97,474,020	8,478,314	2,954,519	20,703,677	91,776,411	112,480,088	560,659,996	43,965,920	604,625,916	492,145,828	18.6%
2028	6.500%	1,759	61,953,550	13,931,500	88,560,733	8,690,271	662,277	-	110,640,861	110,640,861	568,633,508	44,794,211	613,427,719	502,786,858	18.0%
2029	6.500%	2,023	74,758,955	9,868,121	75,719,547	8,907,529	-	-	133,515,012	133,515,012	603,309,244	45,425,314	648,734,557	515,219,545	20.6%
2030	6.500%	2,326	90,278,873	-	65,945,437	9,130,216	486,326	15,689,546	161,157,524	176,847,070	666,056,199	45,955,682	712,011,880	535,164,810	24.8%
2031	6.500%	2,500	108,944,137	-	59,250,995	9,358,472	2,310,061	58,334,277	190,150,631	248,484,908	751,111,726	46,488,170	797,599,895	549,114,987	31.2%
2032	6.500%	2,500	125,844,885	-	55,731,634	9,592,433	5,727,690	124,582,784	215,808,112	340,390,896	849,601,900	47,081,384	896,683,284	556,292,388	38.0%
2033	6.500%	2,500	138,128,867	-	55,979,801	9,832,245	10,411,178	207,310,783	238,589,602	445,900,385	959,004,994	47,772,847	1,006,777,841	560,877,456	44.3%
2034	6.500%	2,500	150,130,615	-	58,766,903	10,078,050	16,075,397	304,671,842	259,186,392	563,858,234	1,077,378,788	48,580,555	1,125,959,343	562,101,109	50.1%
2035	6.500%	2,500	161,613,155	-	64,322,177	10,330,002	22,585,410	414,218,228	278,534,785	692,753,013	1,202,783,624	49,482,792	1,252,266,416	559,513,403	55.3%
2036	6.500%	2,500	172,447,343	-	71,828,171	10,588,252	29,804,127	534,053,275	297,352,274	831,405,549	1,333,968,006	50,569,661	1,384,537,667	553,132,118	60.0%
2037	6.500%	2,500	182,924,008	-	81,195,038	10,852,958	37,620,439	662,549,726	315,880,801	978,430,527	1,469,374,754	51,859,016	1,521,233,770	542,803,243	64.3%
2038	6.500%	2,500	193,569,968	-	92,869,126	11,124,282	45,931,141	798,057,427	334,339,610	1,132,397,037	1,607,645,748	53,290,349	1,660,936,097	528,539,060	68.2%
2039	6.500%	2,500	204,444,317	-	106,226,445	11,402,389	54,650,819	939,523,729	352,939,610	1,292,463,339	1,747,987,297	54,800,569	1,802,787,866	510,324,527	71.7%
2040	6.500%	2,500	215,591,892	-	120,673,165	11,687,449	63,731,475	1,086,486,482	371,863,757	1,458,350,239	1,890,001,654	56,363,947	1,946,365,600	488,015,361	74.9%
2041	6.500%	2,500	227,077,162	-	136,146,748	11,979,635	73,147,128	1,238,584,388	391,261,470	1,629,845,858	2,033,305,265	57,951,826	2,091,257,090	461,411,232	77.9%
2042	6.500%	2,500	238,969,454	-	152,311,745	12,279,126	82,887,235	1,395,850,206	411,270,261	1,807,120,467	2,177,817,915	59,534,432	2,237,352,346	430,231,879	80.8%
2043	6.500%	2,500	251,316,286	-	168,886,937	12,586,104	92,964,435	1,558,657,886	432,027,047	1,990,684,933	2,323,713,640	61,105,506	2,384,819,147	394,134,214	83.5%
2044	6.500%	2,500	264,154,793	-	185,802,610	12,900,757	103,406,447	1,727,515,759	453,675,501	2,181,191,260	2,471,308,675	62,668,491	2,533,977,165	352,785,905	86.1%
2045	6.500%	2,500	277,516,347	-	202,909,583	13,223,276	114,252,082	1,903,151,329	476,359,276	2,379,510,605	2,621,052,601	64,225,883	2,685,278,484	305,767,879	88.6%
2046	6.500%	2,500	291,440,772	-	220,142,947	13,553,857	125,551,972	2,086,447,269	500,177,240	2,586,624,509	2,773,416,280	65,788,195	2,839,204,475	252,579,966	91.1%
2047	6.500%	2,500	306,012,811	-	237,535,400	13,892,704	137,365,148	2,278,397,124	525,186,102	2,803,583,226	2,928,914,191	67,367,099	2,996,281,290	192,698,064	93.6%
2048	6.500%	2,500	321,313,451	-	255,135,657	14,240,021	149,757,218	2,480,092,115	551,445,407	3,031,537,522	3,088,051,858	68,975,169	3,157,027,027	125,489,505	96.0%
2049	6.500%	2,500	337,379,124	-	272,964,255	14,596,022	162,799,611	2,692,710,573	579,017,678	3,271,728,251	3,251,550,730	70,625,643	3,322,176,373	50,448,122	98.5%
2050	6.500%	2,500	354,248,080	-	290,899,051	14,960,923	176,574,044	2,917,672,723	607,968,562	3,525,641,285	3,420,396,944	72,329,119	3,492,726,064	(32,915,221)	100.9%
2051	6.500%	2,500	371,960,484	-	308,758,601	15,334,946	191,179,912	3,156,719,572	638,366,990	3,795,086,562	3,595,595,937	74,092,566	3,669,688,504	(125,398,058)	103.4%
2052	6.500%	2,500	390,558,508	-	326,616,950	15,718,319	206,729,355	3,411,672,166	670,285,339	4,081,957,505	3,778,069,385	75,918,411	3,853,987,796	(227,969,709)	105.9%
2053	6.500%	2,500	410,086,434	-	344,650,894	16,111,277	223,336,494	3,684,332,923	703,799,606	4,388,132,529	3,968,657,927	77,808,128	4,046,466,055	(341,666,474)	108.4%
2054	6.500%	2,500	430,590,756	-	363,030,617	16,514,059	241,114,521	3,976,493,524	738,989,586	4,715,483,110	4,168,121,964	79,762,670	4,247,884,634	(467,598,476)	111.0%

[a] *Additional contributions in the amount of $23,799,621 are needed over the years 2028 through 2029 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.

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 valuation as of June 30, 2015.

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

Measurement Date

June 30, 2017

Net Investment Return Rate

Select and ultimate rate structure beginning with 6.50 percent for fiscal year 2018 and grading down in increments of 0.393 percent to an ultimate investment return rate of 3.75 percent for fiscal years on and after fiscal year 2025, compounded annually. Includes inflation assumption of 2.50 percent. (First effective with the actuarial soundness valuation as of June 30, 2017, and provided by ISAC.)

Considering the current asset allocation, liquidity requirements and deferment of the next enrollment period, we believe the net investment rate of return assumption of 6.50 percent in fiscal year 2018 grading down to 3.75 percent in 2025, on a select and ultimate basis, is consistent with applicable Actuarial Standards of Practice.

For the open group scenarios in which new contracts are assumed to be sold, a net investment rate of return assumption of 6.50 percent was used for scenarios in which (1) there was no depletion date, or (2) there was a depletion date, but the funded status increased significantly after they depletion date. A select and ultimate rate was used for scenarios in which there was a depletion date and the funded status remained low for the duration of the projection period.

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†
2017-2018 Weighted Tuition	$3,862	$10,675	$13,884	$11,525
2017-2018 Weighted Fees	494	3,729	3,832	3,756
2017-2018 Total WATF	4,356	14,404	17,716	15,281

†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
2017-2018 Total WATF	$4,356	$14,404	$17,716	$15,281
2016-2017 Total WATF	4,157	14,158	17,798	15,045
WATF Increase	4.79%	1.74%	-0.46%	1.57%

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 2017-2018 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, 2017, Actuarial Valuation				
Effective Date	Community College	University	University Plus	Legacy
6/30/2017 and Beyond	5.00%	5.00%	5.00%	5.00%

(First effective with the actuarial soundness valuation as of June 30, 2016, and provided 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
2017-2018 Weighted Tuition	$3,862	$10,675	$13,884	$11,525
2016-2017 Weighted Tuition	3,698	10,410	14,136	11,318
2015-2016 Weighted Tuition	3,549	10,082	14,136	11,022
2014-2015 Weighted Tuition	3,331	9,903	14,145	10,871
2013-2014 Weighted Tuition	3,186	9,633	13,841	10,557

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 and those who have matriculated, but have not used credits within the past year. 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 and those who have matriculated, but have not used credits within the past year.

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 have not yet matriculated and those who have matriculated, but have not used credits within the past year. For those who have matriculated, the projected college entrance year is assumed to be the valuation year. Contract beneficiaries are assumed to use the benefits as described by the CIPTP Master Agreement.

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

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

Administrative Expenses

Administrative expenses of the Program are assumed to be paid through a combination of investment earnings and fees assessed on purchasers. Marketing expenses were excluded from the liabilities (present value of future administrative expenses) for current contract beneficiaries as it is assumed those costs should be applicable to future contracts. Administrative expenses are projected to increase by the rate of the inflation assumption of 2.50 percent for two years and then decline at the same rate the present value of benefits declines (combined with a 2.50 percent increase for inflation). The present value of future administrative expenses was determined to be equal to approximately 2.8 percent of the total liabilities.

First effective with the actuarial soundness valuation as of June 30, 2017, the calculation of the total administrative expenses related to marketing was changed from an assumption of 12 percent of total administrative expenses to incorporate actual marketing expenses in the prior fiscal year, as provided by ISAC. 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
2017	$1,854,639	$4,768,606	$6,623,245	28.00%
2018	0	4,887,821	4,887,821	
2019	0	5,010,017	5,010,017	

For the open group scenarios (in which new contracts are assumed to be sold), marketing expenses are allocated to the year the contracts were sold and non-marketing expenses are allocated over the duration of the contract period until all tuition benefits are assumed to be paid. Marketing expenses are assumed to increase from the amount in fiscal year 2017 by 2.5 percent annually.

Mortality and Disability

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

Data Adjustments

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

- Records with a payment status indicating they were cancelled;
- Records with a contract usage status of depleted; and
- Records with the number of contract units used equal to the number of contract units purchased.

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.

Future Beneficiary Profile

The characteristics of future beneficiaries are assumed to be the same as the characteristics of 2016 new beneficiaries, including the following:

- Distribution of number of years until projected college entrance date at time of contract purchase;
- Distribution of contract type and number of years of tuition benefits purchased; and
- Distribution of contract payment options (lump sum, monthly or annual payment s over a period of between five and 15 years depending on beneficiary age at contract purchase).

Assumed Future Contract Prices

Pricing for contracts sold for the period January 18, 2017, through May 31, 2017, were based on the following pricing methodology and underlying assumptions which were developed by and are the responsibility of ISAC.

- Discount Rate of 7.0 percent.
- Tuition and Fee Increases of 6.0 percent for all years for all contract types
- Stabilization Fee of 15 percent of the Present Value of Tuition and Fee Benefits ("PVB") for Choice 1 contracts, 23 percent of the PVB for Choice 2 contracts and 25 percent of the PVB for Choice 3 contracts.
- Administrative Fee of 3.0 percent of the sum of the PVB and the Stabilization Fee.
- Weighted Average Tuition and Fees ("WATF") for FY 2017 equal to the WATF for FY 2016 increased by 6.0 percent for Choice 1, 3.0 percent for Choice 2, and 0.0 percent for Choice 3. Increase amounts are based on expected increases in the WATF.
- All payments are assumed to be made at the beginning of the year.
- The price increase limitation of 9.0 percent more than the prior year price for Choice 1 contracts has been eliminated.
- The provisions of Truth in Tuition will be included in the PVB calculations for multi-year contracts with credit values greater than 30. Please note that the provisions of Truth in Tuition do not apply towards fees. Fees are assumed to increase by 6.0 percent for all years.
- Benefits are assumed to be utilized in the first year in which the contract holder is eligible to attend college and also are assumed to be used at a rate of 30 credits per year.
- Prices will be determined according to single year age groups.
- Benefits may not be used until the third anniversary after the First Payment Date.
- Prices for "Combo" packages consisting of either (1) four University semesters combined with four Community College semesters or (2) four University Plus semesters combined with four Community College semesters were based on present values assuming the four Community College semesters were used first and as such are not equal to the sum of the separate lump sum prices for four University or University Plus semesters combined with four Community College semesters.
- Monthly and annual installment payments are calculated assuming an interest rate of 7.75 percent.
- A $3 processing fee per payment for monthly and annual installment payments.

Contract prices are assumed to increase each year by the tuition and fee increase assumption, which is 5.00 percent per year. Prices were not recalculated for future years to take into account the change in the investment return assumption from 7.00 percent to 6.50 percent. Changes in assumptions affect the stabilization fees that were calculated for the 2016-2017 enrollment period.

SECTION E

PLAN PROVISIONS

Plan Provisions

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

A. Type of Contract

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

B. Benefit

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

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

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

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

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

A. Type of Contract

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

B. Benefit

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

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

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

Benefit shall never be less than payment amount.

C. Member Contributions

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

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

D. Private or Out-of-State Institutions

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

E. Scholarship

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

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

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

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

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

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

G. Cancellation/Refunds

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

H. Death/Disability of Qualified Beneficiary

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

I. Other Ancillary Benefits

There are no ancillary benefits.

J. Truth in Tuition

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

K. Changes from Previous Valuation

None.

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

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

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

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Student Assistance Commission's basic financial statements, and have issued our report thereon dated January 9, 2018. That report contains an emphasis of matter paragraph which states "as discussed in Note 13, the Illinois Prepaid Tuition Program Fund has a deficit as of June 30, 2017 of $286 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.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Student Assistance Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2017-001.

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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 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 Horwath, LLP

Oak Brook, Illinois
January 9, 2018

FINDING 2017-001 – DEBT COVENANT VIOLATION

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

During our audit of Fiscal Year 2017 financial statements, we noted that IDAPP was in violation of one of the debt covenants related to the agency's revolving credit (loan) agreement. In addition, the Three-Year Asset Backed Revolving Credit Facility (Facility) matured on July 27, 2010 and has not been repaid. Per the agreement, the default ratio is set at a maximum three-month rolling average of 5.0% or a maximum of 6.25% for any settlement period. We reviewed the monthly reports noting that 8 of these months rose above at least one of these ratios, ranging from 5.54% to 7.88% for the three-month average and 6.48% to 9.73% for the settlement period.

As a result of the debt covenant violation and the maturity of the facility, the bank has certain remedies available to it under the terms of the loan agreement, principal of which would be rights to call the loan and take possession of the collateral (the underlying student loan portfolio). The bank has been made aware of the default ratio issues and the maturity of the loan and has not communicated to IDAPP any intent to exercise the remedies available to it under the terms of the loan agreement. The balance of the line of credit with the bank was $135,456,827 at June 30, 2017.

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

As a result of the violation, the bank may have certain remedies under the terms of the loan agreement, principal of which would be the right to call the loan and take possession of the collateral (the underlying student loan portfolio of IDAPP). (Finding Code No. 2017-001, 2016-001, 2015-001, 2014-001, 2013-001, 12-2, 11-10, 10-6, 09-1)

Recommendation

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

Commission Response

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