

**STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION**

FINANCIAL AUDIT

For the Year Ended June 30, 2022

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

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION

FINANCIAL AUDIT
For the Year Ended June 30, 2022

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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION

FINANCIAL AUDIT
For the Year Ended June 30, 2022

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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
FINANCIAL AUDIT
For the Year Ended June 30, 2022

Commission Officials:

Executive Director	Eric Zarnikow
Chief Financial Officer	Shoba Nandhan
Chief Investment Officer	Carmen Heredia-Lopez
General Counsel	Karen Salas (07/01/21 – 12/31/21)
Interim General Counsel	Rich Nowell (01/01/22 – Present)
Chief Internal Auditor	Kishor Desai

Governing Board:

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

Commission Offices:

1755 Lake Cook Road
Deerfield, IL 60015-5209

500 West Monroe
Springfield, IL 62704

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

FINANCIAL STATEMENT REPORT

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
FINANCIAL AUDIT
For the Year Ended June 30, 2022

SUMMARY

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

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

SUMMARY OF FINDINGS

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

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
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Current Findings

None

Prior Findings Not Repeated

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>
A	157	2021/2020	Lack of Census Data Reconciliations

EXIT CONFERENCE

In correspondence received from Shoba Nandhan, Chief Financial Officer, on March 9, 2023 the Commission elected to waive a formal exit conference.

Independent Auditor's Report

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

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

Report on the Audit of the Financial Statements

Opinions

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Student Assistance Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matters

As discussed in Note 2, the financial statements of the State of Illinois, Illinois Student Assistance Commission are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the State of Illinois, Illinois Student Assistance Commission. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2022, and the changes in its

financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14, the Illinois Prepaid Tuition Program Fund has a net position deficit as of June 30, 2022 of \$15 million. The amount of the net position deficit is highly dependent on the actuarial assumptions used to calculate the actuarial present value of future tuition benefit obligations.

Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

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

obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Illinois Student Assistance Commission's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2023, on our consideration of the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Crowe LLP

Oak Brook, Illinois
March 21, 2023

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
June 30, 2022
(Dollars in thousands)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current			
Unrestricted			
Unexpended appropriations	\$ 35,776	\$ -	\$ 35,776
Cash and cash equivalents	192	334,539	334,731
Investments	-	151,537	151,537
Receivables			
Contracts	-	2,492	2,492
Intergovernmental	-	96	96
Recoverable taxes	-	1	1
Investments	-	212,604	212,604
Accrued interest on investments	-	307	307
Other	992	-	992
Securities lending collateral	-	16,676	16,676
Due from other State funds	-	4,802	4,802
Due from other ISAC funds	-	2,031	2,031
Total current assets, unrestricted	<u>36,960</u>	<u>725,085</u>	<u>762,045</u>
Restricted			
Cash and cash equivalents	-	8,952	8,952
Receivables			
Student loans, net	-	18,275	18,275
Accrued interest on loans	-	28,469	28,469
Total current assets, restricted	<u>-</u>	<u>55,696</u>	<u>55,696</u>
Non-current			
Unrestricted			
Investments	-	288,337	288,337
Contracts receivable	-	5,333	5,333
Notes receivable	1,200	-	1,200
Capital assets being depreciated, net	8,026	1,143	9,169
Total non-current assets, unrestricted	<u>9,226</u>	<u>294,813</u>	<u>304,039</u>
Restricted			
Student loans receivable, net	-	134,020	134,020
Total non-current, restricted	<u>-</u>	<u>134,020</u>	<u>134,020</u>
Total assets	<u>46,186</u>	<u>1,209,614</u>	<u>1,255,800</u>
Deferred outflows of resources			
Pension related amounts	52,518	9,988	62,506
OPEB related amounts	32,954	3,470	36,424
Total deferred outflows of resources	<u>85,472</u>	<u>13,458</u>	<u>98,930</u>

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
June 30, 2022
(Dollars in thousands)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 1,412	\$ 11,358	\$ 12,770
Investments purchased	-	212,604	212,604
Accrued interest payable	-	358	358
Federal special allowance and interest subsidy	-	260	260
Due to other State funds	1	202	203
Due to other ISAC funds	-	2,031	2,031
Due to State of Illinois component units	35,397	1,557	36,954
Unearned revenue	6	-	6
Securities lending collateral obligation	-	16,676	16,676
Intergovernmental payable	-	32,770	32,770
Net OPEB liability	74	144	218
Lease liability	-	125	125
Compensated absences	205	48	253
Tuition obligation	-	122,861	122,861
Line of credit	-	50,987	50,987
Total current liabilities	<u>37,095</u>	<u>451,981</u>	<u>489,076</u>
Non-current			
Revenue bonds and notes payable, net	-	77,171	77,171
Net pension liability	94,837	26,183	121,020
Net OPEB liability	65,720	12,233	77,953
Lease liability	-	703	703
Compensated absences	1,617	441	2,058
Tuition obligation	-	537,383	537,383
Total non-current liabilities	<u>162,174</u>	<u>654,114</u>	<u>816,288</u>
Total liabilities	<u>199,269</u>	<u>1,106,095</u>	<u>1,305,364</u>
Deferred inflows of resources			
Unamortized deferred amount on refunding	-	16,844	16,844
Pension related amounts	11,302	27,274	38,576
OPEB related amounts	21,704	18,429	40,133
Total deferred inflows of resources	<u>33,006</u>	<u>62,547</u>	<u>95,553</u>
Net position			
Investment in capital assets	8,026	1,143	9,169
Restricted for debt service	-	44,097	44,097
Unrestricted	<u>(108,643)</u>	<u>9,190</u>	<u>(99,453)</u>
Total net position	<u>\$ (100,617)</u>	<u>\$ 54,430</u>	<u>\$ (46,187)</u>

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022
(Dollars in thousands)

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental activities</u>						
Education						
Scholarships, awards and grants	\$ 559,761	\$ -	\$ 3,332	\$ (556,429)	\$ -	\$ (556,429)
Total governmental activities	<u>559,761</u>	<u>-</u>	<u>3,332</u>	<u>(556,429)</u>	<u>-</u>	<u>(556,429)</u>
<u>Business-type activities</u>						
Education						
Student loan purchase program	3,289	9,759	-	-	6,470	6,470
Prepaid tuition	(1)	195	(48,710)	-	(48,514)	(48,514)
Loan guarantee program	86,074	11,094	44,582	-	(30,398)	(30,398)
Total business-type activities	<u>89,362</u>	<u>21,048</u>	<u>(4,128)</u>	<u>-</u>	<u>(72,442)</u>	<u>(72,442)</u>
Total Commission	<u>\$ 649,123</u>	<u>\$ 21,048</u>	<u>\$ (796)</u>	<u>(556,429)</u>	<u>(72,442)</u>	<u>(628,871)</u>
General revenues and transfers						
General revenues						
Appropriations from State resources				782,913	-	782,913
Lapsed appropriations				(2,070)	-	(2,070)
Receipts remitted to State Treasury				(2,523)	-	(2,523)
SERS / OPEB on behalf contribution				9,316	-	9,316
Investment income				-	288	288
Miscellaneous				210	-	210
Transfers				(250,000)	250,000	-
Total general revenues and transfers				<u>537,846</u>	<u>250,288</u>	<u>788,134</u>
Change in net position				(18,583)	177,846	159,263
Net position (deficit) July 1, 2021				(82,034)	(123,416)	(205,450)
Net position (deficit) June 30, 2022				<u>\$ (100,617)</u>	<u>\$ 54,430</u>	<u>\$ (46,187)</u>

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022
(Dollars in thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Unexpended appropriations	\$ 35,776	\$ -	\$ 35,776
Cash and cash equivalents	-	192	192
Other receivables	-	992	992
Notes receivable, net of allowance of \$34,450	<u>1,200</u>	<u>-</u>	<u>1,200</u>
 Total assets	 <u>\$ 36,976</u>	 <u>\$ 1,184</u>	 <u>\$ 38,160</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ 379	\$ 1,033	\$ 1,412
Due to other State funds	-	1	1
Due to other State of Illinois component units	35,397	-	35,397
Unearned revenues	<u>-</u>	<u>6</u>	<u>6</u>
Total liabilities	35,776	1,040	36,816
Fund balances			
Nonspendable, notes receivable	1,200	-	1,200
Committed	-	146	146
Unassigned	<u>-</u>	<u>(2)</u>	<u>(2)</u>
Total fund balances	<u>1,200</u>	<u>144</u>	<u>1,344</u>
 Total liabilities and fund balances	 <u>\$ 36,976</u>	 <u>\$ 1,184</u>	 <u>\$ 38,160</u>

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, 2022
 (Dollars in thousands)

Total fund balances, governmental fund \$ 1,344

Amounts reported for governmental activities in the Statement of Net Position are different due to:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$	2,700	
Buildings		19,229	
Equipment		24	
Accumulated depreciation		<u>(13,927)</u>	
Total capital assets			<u>8,026</u>

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		52,518	
Deferred outflows, OPEB related		32,954	
Net pension liability		(94,837)	
Net OPEB liability		(65,794)	
Deferred inflows, pension related		(11,302)	
Deferred inflows, OPEB related		(21,704)	
Compensated absences		<u>(1,822)</u>	
			<u>(109,987)</u>

Net position of governmental activities \$ (100,617)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2022
(Dollars in thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Federal government	\$ -	\$ 3,332	\$ 3,332
Other	<u>4</u>	<u>206</u>	<u>210</u>
Total revenues	4	3,538	3,542
Expenditures			
Education			
Scholarships, awards and grants	<u>538,847</u>	<u>3,558</u>	<u>542,405</u>
Total expenditures	<u>538,847</u>	<u>3,558</u>	<u>542,405</u>
Deficiency of revenues over expenditures	(538,843)	(20)	(538,863)
Other sources (uses) of financial resources			
Appropriations from State resources	782,865	48	782,913
Lapsed appropriations	(2,070)	-	(2,070)
Receipts remitted to State Treasury	(2,523)	-	(2,523)
SERS / OPEB on behalf contribution	9,316	-	9,316
Transfers out	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>
Net other sources (uses) of financial resources	<u>537,588</u>	<u>48</u>	<u>537,636</u>
Net change in fund balances	(1,255)	28	(1,227)
Fund balance, July 1, 2021	<u>2,455</u>	<u>116</u>	<u>2,571</u>
Fund balance, June 30, 2022	<u>\$ 1,200</u>	<u>\$ 144</u>	<u>\$ 1,344</u>

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, 2022
(Dollars in thousands)

Net change in fund balances, total governmental funds	\$ (1,227)
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 (\$78) Exceeded capital outlay (\$0) in FY 2022.	
	(78)
Some amounts reported in the Statement of Activities do not require the use of the current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:	
Increase in unpaid accumulated vacation and sick leave	(49)
Increase in deferred outflows, pension related	23,398
Increase in deferred outflows, OPEB related	15,686
Decrease in deferred inflows, pension related	(3,128)
Increase in deferred inflows, OPEB related	(11,235)
Decrease in net pension liability	(32,770)
Increase in net OPEB liability	<u>(9,180)</u>
Change in net position of governmental activities	<u>\$ (18,583)</u>

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2022
(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	\$ 4,144	\$ 225,175	\$ 105,220	\$ 334,539
Investments	26,021	125,516	-	151,537
Receivables				
Contracts	-	2,492	-	2,492
Intergovernmental	-	-	96	96
Recoverable taxes	-	1	-	1
Investments	-	212,604	-	212,604
Accrued interest on investments	1	209	97	307
Securities lending collateral	-	-	16,676	16,676
Due from other State funds	-	-	4,802	4,802
Due from other ISAC funds	-	-	2,031	2,031
Total current assets, unrestricted	<u>30,166</u>	<u>565,997</u>	<u>128,922</u>	<u>725,085</u>
Restricted				
Cash and cash equivalents	8,952	-	-	8,952
Receivables				
Student loans receivable, net of allowance of \$9488	18,275	-	-	18,275
Accrued interest on loans	28,469	-	-	28,469
Total current assets, restricted	<u>55,696</u>	<u>-</u>	<u>-</u>	<u>55,696</u>
Non-current				
Unrestricted				
Investments	-	288,337	-	288,337
Contracts receivable	-	5,333	-	5,333
Capital assets, net of accumulated depreciation	-	-	1,143	1,143
Total non-current assets, unrestricted	<u>-</u>	<u>293,670</u>	<u>1,143</u>	<u>294,813</u>
Restricted				
Student loans receivable, net of allowance of \$69,582	134,020	-	-	134,020
Total non-current, restricted	<u>134,020</u>	<u>-</u>	<u>-</u>	<u>134,020</u>
Total assets	219,882	859,667	130,065	1,209,614
Deferred outflows of resources				
Pension related amounts	420	-	9,568	9,988
OPEB related amounts	96	-	3,374	3,470
Total deferred outflows of resources	<u>516</u>	<u>-</u>	<u>12,942</u>	<u>13,458</u>
Total assets and deferred outflows of resources	<u>\$ 220,398</u>	<u>\$ 859,667</u>	<u>\$ 143,007</u>	<u>\$ 1,223,072</u>

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2022
(Dollars in thousands)

	Illinois Designated Account Purchase Program <u>Fund</u>	Illinois Prepaid Tuition Program <u>Fund</u>	Nonmajor Enterprise <u>Funds</u>	<u>Total</u>
LIABILITIES				
Current				
Accounts payable and accrued liabilities	\$ 98	\$ 1,363	\$ 9,897	\$ 11,358
Investments purchased	-	212,604	-	212,604
Accrued interest payable	358	-	-	358
Tuition obligation	-	122,861	-	122,861
Federal special allowance and interest subsidy	260	-	-	260
Due to other ISAC funds	1,909	122	-	2,031
Due to other State funds	-	-	202	202
Due to State of Illinois component units	-	96	1,461	1,557
Securities lending collateral obligation	-	-	16,676	16,676
Intergovernmental payable	-	-	32,770	32,770
Net OPEB liability	27	-	117	144
Lease liability	-	-	125	125
Compensated absences	7	-	41	48
Revolving credit line	50,987	-	-	50,987
Total current liabilities	<u>53,646</u>	<u>337,046</u>	<u>61,289</u>	<u>451,981</u>
Non-current				
Tuition obligation	-	537,383	-	537,383
Revenue bonds and notes payable, net	77,171	-	-	77,171
Net pension liability	2,152	-	24,031	26,183
Net OPEB liability	1,042	-	11,191	12,233
Lease liability	-	-	703	703
Compensated absences	67	-	374	441
Total non-current liabilities	<u>80,432</u>	<u>537,383</u>	<u>36,299</u>	<u>654,114</u>
Total liabilities	134,078	874,429	97,588	1,106,095
DEFERRED INFLOWS OF RESOURCES				
Unamortized deferred amount on refunding	16,844	-	-	16,844
Pension related amounts	470	-	26,804	27,274
OPEB related amounts	658	-	17,771	18,429
Total deferred inflows of resources	<u>17,972</u>	<u>-</u>	<u>44,575</u>	<u>62,547</u>
NET POSITION				
Net investment in capital assets	-	-	1,143	1,143
Restricted for debt service	44,097	-	-	44,097
Unrestricted	24,251	(14,762)	(299)	9,190
Total net position	<u>68,348</u>	<u>(14,762)</u>	<u>844</u>	<u>54,430</u>
Total liabilities, deferred inflows or resources, and net position	<u>\$ 220,398</u>	<u>\$ 859,667</u>	<u>\$ 143,007</u>	<u>\$ 1,223,072</u>

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUNDS
Year Ended June 30, 2022
(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	\$ 9,759	\$ -	\$ -	\$ 9,759
Income - investments (net of closed end funds investment management fees of \$647 and performance allocation of \$95)	(132)	(49,104)	-	(49,236)
Interest, other	-	394	-	394
Total investment income	9,627	(48,710)	-	(39,083)
Other operating revenues				
Fees	-	195	-	195
Portfolio maintenance fees	-	-	999	999
Direct consolidation cost	-	-	97	97
ECACE grant revenue	-	-	6,162	6,162
Collections on student loans previously reimbursed by the U.S. Department of Education	-	-	1,760	1,760
Other	-	-	2,076	2,076
Total other operating revenues	-	195	11,094	11,289
Total operating revenues	9,627	(48,515)	11,094	(27,794)
Operating expenses				
Interest and other student loan expenses				
Interest expense				
Revenue bonds and notes	(2,538)	-	-	(2,538)
Other student loan fees	890	-	-	890
Provision for loan losses	1,620	-	-	1,620
Total interest and other student loan expenses	(28)	-	-	(28)
Other operating expenses				
Salaries and employee benefits	597	815	1,587	2,999
Pension expenses	(35)	-	(7,565)	(7,600)
OPEB expenses	(148)	-	(4,816)	(4,964)
Loan guarantee	-	-	83,699	83,699
External loan servicing	763	-	-	763
Accreted tuition expenses	-	(3,910)	-	(3,910)
Investment management fees	-	277	-	277
Investment advisory fees	-	878	-	878
Management and professional services	417	1,939	12,476	14,832
Depreciation	-	-	693	693
Other	13	-	-	13
Total other operating expenses	1,607	(1)	86,074	87,680
Total operating expenses	1,579	(1)	86,074	87,652
Operating income (loss)	8,048	(48,514)	(74,980)	(115,446)

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, 2022
(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	\$ (1,683)	\$ -	\$ -	\$ (1,683)
Federal government	-	-	44,582	44,582
Interest revenue	-	-	420	420
Interest expense	-	-	(27)	(27)
Total Non-operating revenues (expenses)	<u>(1,683)</u>	<u>-</u>	<u>44,975</u>	<u>43,292</u>
Income before transfers	6,365	(48,514)	(30,005)	(72,154)
Transfers in	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Total Transfers	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Change in fund net position	6,365	201,486	(30,005)	177,846
Net Position, July 1, 2021	<u>61,983</u>	<u>(216,248)</u>	<u>30,849</u>	<u>(123,416)</u>
Net Position, June 30, 2022	<u>\$ 68,348</u>	<u>\$ (14,762)</u>	<u>\$ 844</u>	<u>\$ 54,430</u>

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2022
(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	\$ -	\$ 195	\$ 20,211	\$ 20,406
Cash payments for tuition	-	(100,968)	-	(100,968)
Cash payments to suppliers for goods and services	(1,202)	(1,455)	(252)	(2,909)
Cash payments to employees for services	(593)	(815)	(2,452)	(3,860)
Cash payments for loan guarantees	-	-	(85,248)	(85,248)
Cash receipts from student loans and fees	42,621	-	-	42,621
Cash receipts from tuition contracts	-	4,789	-	4,789
Cash payments for student loans	(3,711)	-	-	(3,711)
Cash payments for refund of contracts	-	(21,946)	-	(21,946)
Cash payments for other operating activities	-	-	11,418	11,418
Net cash provided (used) by operating activities	<u>37,115</u>	<u>(120,200)</u>	<u>(56,323)</u>	<u>(139,408)</u>
Cash flows from noncapital financing activities				
Principal paid on revenue bonds and other borrowings	(33,597)	-	-	(33,597)
Interest paid on revenue bonds and other borrowings	(1,141)	-	-	(1,141)
Special allowance and interest subsidy	(1,930)	-	-	(1,930)
Transfers in	-	280,000	11,584	291,584
Transfers out	-	-	(11,584)	(11,584)
Federal government grants	-	-	54,424	54,424
Net cash provided (used) by noncapital financing activities	<u>(36,668)</u>	<u>280,000</u>	<u>54,424</u>	<u>297,756</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	-	(30)	(30)
Acquisition and construction of capital assets	-	-	(122)	(122)
Acquisition and construction of capital assets	-	-	(27)	(27)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(179)</u>	<u>(179)</u>
Cash flows from investing activities				
Purchase of investment securities	(26,184)	(74,630)	-	(100,814)
Proceeds from sales and maturities of investment securities	22,000	127,532	-	149,532
Interest and dividends on investments	140	10,453	349	10,942
Cash paid to investment managers	-	(277)	-	(277)
Net cash provided by investing activities	<u>(4,044)</u>	<u>63,078</u>	<u>349</u>	<u>59,383</u>
Increase (decrease) in cash and cash equivalents	(3,597)	222,878	(1,729)	217,552
Cash and cash equivalents, July 1, 2021	<u>16,693</u>	<u>2,297</u>	<u>106,949</u>	<u>125,939</u>
Cash and cash equivalents, June 30, 2022	<u>\$ 13,096</u>	<u>\$ 225,175</u>	<u>\$ 105,220</u>	<u>\$ 343,491</u>

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2022
(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)	\$ 8,048	\$ (48,514)	\$ (74,980)	\$ (115,446)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	693	693
Investment income	132	49,865	-	49,997
Accreted tuition expense	(2,538)	(3,910)	-	(6,448)
Provision for loan losses	1,620	-	-	1,620
Change in assets, liabilities and deferred outflows/inflows of resources				
Contracts receivable	-	3,989	-	3,989
Student loans receivable	32,068	-	-	32,068
Intergovernmental receivables	-	-	230	230
Investments receivables	-	(212,604)	-	(212,604)
Accrued interest - loans and notes	(1,981)	-	-	(1,981)
Due from other State funds	-	-	(4,699)	(4,699)
Accounts payable and accrued liabilities	(9)	213,030	2,944	215,965
Intergovernmental payables	-	-	31,339	31,339
Due to other ISAC funds	(46)	38	-	(8)
Due to other State funds and component units	-	21	1,397	1,418
Tuition obligation	-	(122,115)	-	(122,115)
Compensated absences	4	-	34	38
Deferred inflows related to pensions and OPEB	153	-	6,585	6,738
Deferred outflows related to pensions and OPEB	237	-	7,033	7,270
Net pension liability	(219)	-	(16,870)	(17,089)
Net OPEB liability	(354)	-	(10,029)	(10,383)
Total adjustments	<u>29,067</u>	<u>(71,686)</u>	<u>18,657</u>	<u>(23,962)</u>
Net cash provided (used) by operating activities	<u>\$ 37,115</u>	<u>\$ (120,200)</u>	<u>\$ (56,323)</u>	<u>\$ (139,408)</u>
Supplemental disclosure of noncash transactions:				
Net appreciation in fair value of investments	<u>\$ (261)</u>	<u>\$ (60,775)</u>	<u>\$ -</u>	<u>\$ (61,036)</u>

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 1 - ORGANIZATION

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

ISAC was established through the Higher Education Student Assistance Act in 1957. The agency is governed by the Commission, a board of ten persons appointed by the Governor, who serve without compensation for a term of six years, except for one member who serves for a term of two years. It employs and provides direction to an Executive Director who is responsible for overseeing and implementing the Commission's day-to-day operations. The Commission's operations office is at 1755 Lake Cook Road in Deerfield, with additional offices located at 500 West Monroe in Springfield and 160 North LaSalle Street in Chicago.

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

Monetary Award Program (MAP): This program was created to provide financial assistance to qualifying students who are residents of the State and enrolled at an approved post-secondary institution in Illinois. The monetary awards are granted on the basis of student financial need and the availability of funds. The grant provided up to \$5,661 in Fiscal Year 2022 for the payment of tuition and mandatory fees. The program is usually funded by the General Fund appropriation. In January 2020 ISAC implemented the alternative application process to serve students that qualify for MAP under the Retention of Illinois Students & Equity (RISE) Act. This allows eligible undocumented students and transgender students who are disqualified from federal financial aid to apply for all forms of state financial aid.

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

This grant is an entitlement program and is awarded to eligible applicants regardless of the funding level. If funds appropriated for ISAC are insufficient to reimburse public post-secondary institutions for all recipients, the obligation to pay is transferred to the institution. This program was not funded in Fiscal Year 2022.

Illinois National Guard Grant: The Illinois National Guard (ING) Grant pays tuition and eligible fees at all Illinois public universities or public community colleges to members of the Illinois National Guard. This grant can be used for either undergraduate or graduate enrollment for the equivalent of four academic years of full-time enrollment. The ING Grant is an entitlement program and is awarded to eligible recipients regardless of the funding level. If funds appropriated for ISAC are insufficient to reimburse public post-secondary institutions for all recipients, the obligation to pay is transferred to the institution where the guard member attends school. This program was not funded in Fiscal Year 2022.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 1 - ORGANIZATION (Continued)

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

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

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

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

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

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

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

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

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 1 - ORGANIZATION (Continued)

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

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

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

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

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

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

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

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

* These programs were not funded in Fiscal Year 2022.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 1 - ORGANIZATION (Continued)

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

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

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

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

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

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

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

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

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

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 1 - ORGANIZATION (Continued)

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

College Illinois!®: Legislation authorizing ISAC to administer an Illinois Prepaid Tuition Program was passed in November 1997. The Illinois Prepaid Tuition Program is administered by ISAC with advice and counsel from an investment advisory panel consisting of seven members appointed by ISAC. The purpose of this program is to provide Illinois families with an affordable tax-advantaged method to pay for college. Illinois Prepaid Tuition contracts will allow participants to prepay the cost of tuition and mandatory fees at Illinois public universities and community colleges. Benefits of the contracts can also be used at private and out-of-state colleges and universities. Contracts can be purchased in a lump sum payment or in installments. The Illinois Prepaid Tuition Program has been named College Illinois!®. For additional information, refer to the Illinois Prepaid Tuition Program Financial Audit, for the year ended June 30, 2022.

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

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

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

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

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

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

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

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 1 - ORGANIZATION (Continued)

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are clearly identifiable with a specific function, including each activity's share of allocated (shared) costs. Interest expense related to borrowing for student loan activities (business-type activities) totaling (\$2,538) (including amortization) is included in student loan purchase program expense in the Statement of Activities. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all appropriations, are presented as general revenues.

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

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

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

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

For Fiscal Year 2022, 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.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Additionally, the Commission administers the following fund types:

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

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

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

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

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

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

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Unexpended Appropriation: This "asset" account represents lapse period warrants issued between July and August for Fiscal Year 2022 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.

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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Investments: ISAC presents investments on its Statement of Net Position at fair value or amortized cost which approximates fair value. The net appreciation or depreciation in the fair value of investments since the prior fiscal year (or purchase date for Fiscal Year 2022 purchases) is included as investment income in the financial statements. Dividend and interest income are recorded in the period earned.

Contracts Receivable: Contracts receivable represents the amount the Program expects to receive from contract holders for contracts purchased on an installment basis. The actuarially determined present value of future contributions was \$7,825 as of June 30, 2022, using a 5.00% discount rate. The Program expects to receive contributions totaling \$2,492 in Fiscal Year 2023. This amount has been classified as current contracts receivable on the Statement of Net Position. The total contract receivable balance is expected to be received over the next fourteen years.

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

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

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Tuition Obligation: The tuition obligation in the Illinois Prepaid Tuition Program represents the net contract face value for the 21,675 contracts held by the fund as of June 30, 2022, plus the actuarially-determined present value of future benefits the Program expects to provide to contract holders for all contracts.

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

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

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

Coronavirus Implications: A novel strain of coronavirus has spread around the world, with resulting business and social disruption during Fiscal Year 2022. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

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

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

The Commission may direct that assets of the Program'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.

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, 2022, 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 \$330,587 at June 30, 2022. These amounts are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Details on the nature of these deposits and investments, and the risks, are available within the State's Annual Comprehensive Financial Report.

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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
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Year Ended June 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2022, 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, 2022, 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, 2022, IDAPP had money market funds of \$10,550 and U.S. Treasury securities of \$26,021; 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, 2022, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Government securities (U.S. Treasury bills/notes)	<u>\$ 26,021</u>	0.75

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

As of June 30, 2022, IDAPP's investments were subject to credit risk (other than obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government which are not considered to have credit risk) as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating Moody's</u>
Money market funds	<u>\$ 10,550</u>	Aaa-mf

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

The investment policy authorizes IDAPP to utilize a third-party custodian (Trustee) to safe-keep the assets of the fund and to provide reports on a monthly basis to all necessary parties. The custodian is responsible for sweeping all interest and dividend payments and any other un-invested cash into a short-term government money market fund. IDAPP has no investments subject to custodial credit risk at June 30, 2022.

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, 2022, there were no investments that exceed 5% or more of IDAPP's total investment portfolio.

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

Illinois Prepaid Tuition Program

ISAC is required annually to adopt a comprehensive investment policy to invest the funds received through contract payments. The Commission approved the Program's most recent revision to the investment policy in June 2022.

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

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

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ILLINOIS STUDENT ASSISTANCE COMMISSION
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Year Ended June 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

<u>Asset Allocation</u>	<u>Policy Targets</u>	<u>Rebalancing Range</u>	
		<u>Lower Limit</u>	<u>Upper Limit</u>
U.S. equity	16.00%	12.00%	19.00%
Non-U.S. equity	16.00%	12.00%	19.00%
Fixed income	26.00%	22.00%	29.00%
High yield	3.00%	1.00%	7.00%
REIT	3.00%	1.00%	7.00%
Real estate	7.00%	N/A	N/A
Infrastructure	5.00%	N/A	N/A
Private equity	1.00%	N/A	N/A
Cash	23.00%	N/A	N/A

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

<u>Asset Class</u>	<u>Index</u>	<u>Weight</u>
U.S. Equity	Wilshire 5000	16.00%
Non-U.S. Equity	MSCI ACWI xUS IMI	16.00%
Fixed Income	BC U.S. Aggregate	26.00%
High Yield	BofA MLHY Master II	3.00%
REIT	MSCI US REIT	3.00%
Real Estate	NCREIF ODCE	7.00%
Infrastructure	90-day T Bills +4%	5.00%
Private Equity	Wilshire 5000	1.00%
Cash	90-day T-Bills	23.00%

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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

As of June 30, 2022, 11.9% of the funds were invested in Domestic Equities, 22.6% in Fixed Income, 12.2% in International Equities, 4.1% in Infrastructure Funds, 0.7% in Absolute Return Funds, .27% in Private Equity Funds, 6.3% in Real Estate, 3.2% in Real Estate Investment Trust, 3.5% in High Yield, and 35.2% in cash and equivalents.

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

1. U.S. Government and Agency, Foreign and Corporate Obligations, Convertible Bonds – prices quoted by a major dealer in such securities;
2. Common Stock and Equity Funds, Preferred Stock, Foreign Equity Securities - (a) Listed – closing prices as reported on the composite summary of national securities exchanges; (b) Over-the-counter – bid prices;
3. Money Market Instruments – amortized cost which approximates fair values;
4. Real Estate Investments – fair values as determined by its investment managers and reviewed by Program investment staff and the investment consultant;
5. Private Equity, Absolute Return, and Infrastructure Funds – fair values as determined by its investment managers and reviewed by Program investment staff and the investment consultant. Valuations generally are based on the investee's last audited financial statements (generally December 31) and differences attributed to cash flows and subsequent events through June 30.

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

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

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

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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Private equity, real estate and infrastructure investment portfolios consist of passive interests in non-publicly traded companies. The Program had outstanding unfunded commitments of approximately \$0.3 million to private equity partnerships and \$6.2 million to infrastructure funds as of June 30, 2022.

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

The Illinois Prepaid Tuition Program's cash recoverable taxes and investments at June 30, 2022, are presented below by investment type and by investment manager:

<u>Asset Class</u>	<u>Investment Managers</u>		<u>Asset Allocation</u>
	<u>Asset Allocation at June 30, 2022</u>		
	<u>Investment Manager</u>	<u>Fair Value</u>	
All-cap core equity	Rhumblin Advisers	\$ 76,148	11.92 %
Total domestic equity		76,148	11.92
International equity	Ativo	38,924	6.09
International equity	Dimensional Fund Advisors	39,112	6.12
International equity recoverable taxes	Northern Trust	1	0.00
Total international equity		78,037	12.21
Fixed Income - Passive Core	State Street Global Advisors	47,472	7.43
Fixed Income - Core Plus	T. Rowe Price	50,776	7.95
Fixed income - U.S. intermediate	Garcia Hamilton	46,495	7.28
Total fixed income		144,743	22.65
High yield	DDJ Strategic Income Plus	22,540	3.53
Total high yield		22,540	3.53
REIT Preferred Growth	Security Capital Research	20,190	3.16
Total REIT		20,190	3.16
Real estate - private equity	Lyrical-Antheus	40,154	6.28
Total real estate		40,154	6.28
Infrastructure - diversified value add	Alinda Infrastructure	9,988	1.56
Infrastructure - Asia opportunities	The Rohatyn Group	15,911	2.49
Total infrastructure		25,899	4.05
Absolute return fund - conservative	Neuberger Berman	4,434	0.69
Total absolute return funds		4,434	0.69
Private equity secondary FoFs	Portfolio Advisors	1,709	0.27
Total private equity		1,709	0.27
Total investments		413,854	64.76
Cash and equivalents	Northern Trust	954	0.15
Cash and equivalents	Illinois Treasury and lock box	224,221	35.09
Total cash equivalents		225,175	35.24
Total portfolio		\$ 639,029	100.00 %

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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
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(Dollars in thousands)
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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

For investment managers who invest moneys in publicly held securities the Program pays an investment management fee for investment management services. The investment management fee is based upon contractually agreed upon conditions and provisions. Investment management fees expense for investments in publicly held securities amounted to \$277 for the year ended June 30, 2022, and is accounted for in the Statement of Revenues, Expenses, and Changes in Net Position.

For investment managers of alternative investments (not publicly held securities) the Program pays an investment advisory fee. The investment advisory fees are calculated based upon the terms and conditions agreed upon with each individual contractual agreement and are recognized as investment advisory fees expense in the Statement of Revenues, Expenses, and Changes in Net Position. Investment advisory expense as reflected in the Statement of Revenues, Expenses, and Changes in Net Position for Fiscal Year 2022 amounts to \$878.

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

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

- Lyrical-Antheus Realty Partners
- Alinda Capital Partners
- The Rohatyn Group
- Portfolio Advisors

Approximately \$647 in investment advisory fees and \$95 in performance allocation fees are included in the amount reported for income from investment securities for the Fiscal Year ending June 30, 2022, and is accounted for as a part of the income from investment securities in the Statement of Revenues, Expenses, and Changes in Net Position. Additionally, these amounts are reflected in the carrying value on the Statement of Net Position.

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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

	<u>Average Duration</u>	<u>Bloomberg Aggregate Bond Index</u>	<u>Bloomberg Int. Government/ Credit Index</u>
Garcia Hamilton	4.44 Years	N/A	3.96 Years
SSGA U.S. Aggregate Bond Index (common collective trust)	6.40 Years	6.44 Years	N/A
T. Rowe Price	6.61 Years	6.44 Years	N/A

Portfolio Weighted Average Maturity

<u>Portfolio Weighted Average</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in Years)</u>
U.S. Treasury notes	\$ 23,473	4.35
U.S. Treasury bonds	18,481	12.99
Bond common collective trust	47,472	8.65
Municipal/provincial bonds	561	11.54
Non U.S. government bonds denominated in U.S. dollars	730	16.34
Non U.S. government bonds denominated in foreign currency	148	14.09
Multi-sector funds	27,909	8.83
Government agency short-term bills and notes	300	0.02
Corporate debt securities	8,792	5.85
Corporate asset-backed securities	3,472	14.48
Mortgage back securities (MBS):		
Government agencies	8,949	15.67
Non-government backed	2,386	34.43
Commercial	<u>1,836</u>	21.07
Total fair value	<u>\$ 144,509</u>	
Portfolio weighted average maturity		<u>9.57</u>

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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
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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, 2022, 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, 2022

	Total <u>Fair Value</u>	<u>Moody's**</u>
Money market mutual funds	\$ 1,271	NR
Illinois Funds	76	NR
Bond common collective trust	47,472	NR
Multi-sector funds	27,909	NR
Non U.S. government bonds denominated in U.S. dollars	730	Aaa
Non U.S. government bonds denominated in foreign currency	148	Ba
Government agency short term bills and notes	300	Baa
Corporate debt securities	8,792	A

*NR - Not rated

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STATE OF ILLINOIS
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Year Ended June 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Ratings (Multiple-Rated Securities)
June 30, 2022

<u>Rating Agency</u>		<u>Credit Rating*</u>	<u>Total Fair Value</u>
Moody's	Commercial mortgage-backed	Aaa	\$ 239
	Commercial mortgage-backed	Aa	151
	Commercial mortgage-backed	A	190
	Commercial mortgage-backed	Ba	113
	Commercial mortgage-backed	Baa	240
	Commercial mortgage-backed	NR	903
			<u>1,836</u>
Moody's	Corporate asset backed securities	Aaa	\$ 928
	Corporate asset backed securities	Aa	410
	Corporate asset backed securities	Baa	98
	Corporate asset backed securities	NR	2,036
			<u>3,472</u>
Moody's	Municipal/provincial bonds	Aa	75
	Municipal/provincial bonds	NR	486
			<u>561</u>
Moody's	Non-government backed CMOs	Aaa	486
	Non-government backed CMOs	Aa	256
	Non-government backed CMOs	NR	1,532
	Non-government backed CMOs	WR	112
			<u>2,386</u>
Moody's	Mortgage-backed securities, government agencies	Aa	\$ 40
	Mortgage-backed securities, government agencies	A	13
	Mortgage-backed securities, government agencies	Baa	93
	Mortgage-backed securities, government agencies	Ba	43
	Mortgage-backed securities, government agencies	NR	8,760
			<u>8,949</u>

* NR - Not rated; WR - withdrawn

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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

The Illinois Prepaid Tuition Program is not exposed to custodial credit risk at June 30, 2022.

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

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

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

As of June 30, 2022, there were no investments subject to concentration of credit risk.

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ILLINOIS STUDENT ASSISTANCE COMMISSION
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Year Ended June 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

The Illinois Prepaid Tuition Program's investments in international equity are in compliance with the guidelines of the investment policy. As of June 30, 2022, 12.2% is invested in international equities all denominated in U.S. dollars.

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

Investments Denominated in Foreign Currency
June 30, 2022
Fair Value in U.S. Dollars

<u>Foreign Currency Denomination</u>	<u>Cash and Cash Equivalents</u>	<u>Fixed Income</u>	<u>Pending Trades Fixed Income Investments</u>	<u>Totals</u>
Euro	\$ 1	\$ 147	\$ (194)	\$ (46)
Total	<u>\$ 1</u>	<u>\$ 147</u>	<u>\$ (194)</u>	<u>\$ (46)</u>

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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
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Year Ended June 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Valuation: The Program categorizes its fair value measures within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs (see page 40-41); and leveling is not required for investments held at amortized cost. The Program has the following as of June 30, 2022:

Investments Measured at Fair Value:

<u>Investments by fair value level</u>	<u>June 30,</u> <u>2022</u>	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	\$ 23,473	\$ -	\$ 23,473	\$ -
U.S. Treasury bonds	18,481	-	18,481	-
Municipal/provincial debt	561	-	561	-
Corporate debt securities	8,792	-	8,792	-
Corporate asset-backed securities	3,472	-	3,472	-
Foreign government bonds denominated in U.S. dollars	730	-	730	-
Foreign debt securities (non U.S. government bonds denominated in foreign currency)	148	-	148	-
Government agency short-term bills and notes	300	-	300	-
Commercial mortgage backed	1,836	-	1,836	-
Government mortgage backed	8,949	-	8,949	-
Multi-sector funds	27,909	-	27,909	-
Common collective trust	47,472	-	47,472	-
Non government backed CMO	2,386	-	2,386	-
Corporate equity securities	76,148	76,148	-	-
Foreign equity securities	39,112	39,112	-	-
Money market mutual funds	1,271	-	-	1,271
Cash and pending trades	(86)	-	-	(86)
Cash and pending trades in foreign currency	3	-	-	3
Equity in public treasurer's investment pool (Illinois Funds)	<u>76</u>	<u>-</u>	<u>-</u>	<u>76</u>
Total investments by fair value level	<u>\$ 261,033</u>	<u>\$ 115,260</u>	<u>\$ 144,509</u>	<u>\$ 1,264</u>

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

	June 30, <u>2022</u>
Investments measured at the net asset value (NAV)	
Real estate investment trust	\$ 20,190
Real estate	40,154
Private equity	1,709
Infrastructure	25,899
Foreign equity	38,924
Absolute return	4,434
High yield fund	<u>22,540</u>
 Total investment measured at the NAV	 <u>\$ 153,850</u>
 Total investments measured at fair value or amortized cost	 <u>\$ 414,883</u>

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

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency If Currently Eligible</u>	<u>Redemption Notice Period</u>
Real estate investment trust	\$ 20,190	\$ -	Quarterly	30 days notice
Real estate	40,154	-	n/a	n/a
Private equity	1,709	314	n/a	n/a
Infrastructure	25,899	6,164	n/a	n/a
Foreign equity	38,924	-	Monthly	15 days notice
Absolute return	4,434	-	Annual	65 and 180 days notice
High yield fund	<u>22,540</u>	<u>-</u>	Quarterly	60 days notice
 Total investments measured at NAV	 <u>\$ 153,850</u>	 <u>\$ 6,478</u>		

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

(Continued)

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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Real estate: This type includes one real estate fund that invests primarily in U.S. commercial and residential real estate. Lyrical Antheus Realty Partners III, LP recognizes the partners' capital at cost basis on their financial statements has been adjusted to reflect the investment on a fair value basis. Private market investments are illiquid in nature. Distributions from each fund will be received as the underlying investments of the funds are liquidated by the general partner. It is expected that the underlying assets of the fund will be liquidated over the next five years with 15% within state Fiscal Year 2023.

Private equity: This type includes one private equity funds which invests in a diversified portfolio of private equity limited partnerships purchased in the secondary market. The fair values of the investments in this type have been determined using the NAV per share of the Program's ownership investment in partners' capital. Private market investments are illiquid in nature. Distributions from each fund will be received as the underlying investments of the funds are liquidated by the general partner. It is expected that the underlying assets of the fund will be liquidated over the next three years with 25% within state Fiscal Year 2023.

Infrastructure: This type includes two infrastructure funds which invest in infrastructure and related assets in the United States, Asia, and Europe. The fair values of the investments in this type have been determined using the NAV per share of the Program's ownership investment in partners' capital. Private market investments are illiquid in nature. Distributions from each fund will be received as the underlying investments of the funds are liquidated by the general partner. It is expected that the underlying assets of the funds will be liquidated over the next four years with 80% to 15% (varies by investment manager) within state Fiscal Year 2023.

Absolute return: This type includes one absolute return funds of funds. This fund targets consistent, positive absolute returns with minimal beta to major equity and fixed income markets. The fair values of the investments in this type have been determined using the NAV per share of the Program's ownership investment in partners' capital. The fund will withhold a percentage pending the completion of the annual audit. The fund is in the process of liquidating. Twenty-three million was liquidated in state Fiscal Year 2022 with the remainder expected in Fiscal Year 2023.

High yield: This type seeks income and gains through trading and investing in securities. The fair value of the investment in this type has been determined using the NAV per share of the Program's ownership investment in partners' capital. Ninety percent of liquid securities are available within 30 days of quarter end with 60 days' notice prior to quarter end. Up to 25% of the fund may be invested in illiquid securities. Ten percent of any withdrawal may be held until 30 days following the annual audit. As of June 30, 2022, \$16,909 was held in a liquidating account related to prior redemptions.

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

(Continued)

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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

During Fiscal Year 2022, 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, 2022, were \$6,216 and \$10,460, respectively.

NOTE 4 - STUDENT LOANS RECEIVABLE

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

(Continued)

STATE OF ILLINOIS
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NOTES TO FINANCIAL STATEMENTS
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NOTE 4 - STUDENT LOANS RECEIVABLE (Continued)

All FFELP loans originated or purchased by IDAPP prior to October 1, 1993, are guaranteed at 100% by Guarantors in accordance with the Higher Education Act. For loans disbursed between October 1, 1993, and prior to July 1, 2006, the loans are guaranteed at 98%. Loans disbursed after July 1, 2006, are guaranteed at 97%. All guaranteed loans are reinsured by the United States Department of Education (ED). ED has issued detailed loan servicing requirements, which, if not strictly adhered to, may result in the loss of the loan guaranty. The United States Department of Education has also issued specific guidelines to provide for the cure of such servicing deficiencies and the reinstatement of the guaranty. For servicing contracts established with outside vendors, contractual provisions require the contractors to indemnify IDAPP for losses due to their negligence in loan servicing. Such recoveries will be recognized as income when received. There is \$1,405 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, 2022.

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 \$117,958 at June 30, 2022. Of this amount, \$76,757 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 \$79,070 as of June 30, 2022. 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, 2022, as reported by ISAC was \$39,234. 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 \$139,231 at June 30, 2022 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.

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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
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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, 2022, was \$260.

IDAPP is also eligible to receive special allowance payments from the federal government that are paid to adjust for the low yield on student loans in comparison to other investment sources-

Federal interest benefits	\$ 216
Special allowance payments (interest subsidy)	183
Excess interest	<u>(2,082)</u>
 Net expense incurred to DOE	 <u>\$ (1,683)</u>

NOTE 6 – INTERFUND BALANCES AND ACTIVITY

Balances Due To/From Other Funds: The balances at June 30, 2022, represent amounts due from other ISAC and State funds and component units as follows:

<u>Fund</u>	<u>Due from Primary Government Funds</u>	<u>Other State</u>	<u>Due From Component Units</u>	<u>Description/Purpose</u>
Nonmajor Enterprise -				
Student Loan Operating	1,909	-	-	Due from IDAPP Fund for shared services
	122	-	-	Due from Illinois Prepaid Tuition Fund for shared services
	-	4,671	-	Due from ECACE for grant and administrative expenses.
	-	9	-	Due from Department of Veterans' Administration for rent and expenses.
	-	120	-	Due from Central Management Services (on behalf of DCFS) for rent and expenses.
	-	2	-	Due from Healthcare and Family Services for rent and expenses.
	<u>2,031</u>	<u>4,802</u>	<u>-</u>	
	<u>\$ 2,031</u>	<u>\$ 4,802</u>	<u>\$ -</u>	

(Continued)

STATE OF ILLINOIS
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NOTE 6 - INTERFUND BALANCES AND ACTIVITY (Continued)

The balances at June 30, 2022, represent amounts due to other ISAC and State funds and component units as follows:

<u>Fund</u>	<u>Due to Primary Government Funds</u>		<u>Due To</u>	<u>Description/Purpose</u>
	<u>ISAC</u>	<u>Other State</u>	<u>Component Units</u>	
General	\$ -	\$ -	\$ 35,351	Due to State universities for scholarship and grants.
	-	-	35,351	
Education Assistance	-	-	46	Due to State universities for scholarship and grants.
	-	-	46	
Illinois Designated Account Purchase program	1,909	-	-	Due to Student Loan Operating Fund for shared services.
	1,909	-	-	
Nonmajor Enterprise -				
Student Loan Operating	-	202	-	Due to Central Management Services for EDP, communications and garage fund
Other Nonmajor	-	-	1,461	Due to State universities for scholarships and grants.
	-	202	1,461	
Illinois Prepaid Tuition Program	122	-	-	Due to Student Loan Operating Fund for shared services Due to State universities for payment of tuition contracts
	-	-	96	
	122	-	96	
	<u>\$ 2,031</u>	<u>\$ 202</u>	<u>\$ 36,954</u>	

Transfers To/From Other Funds: Interfund transfers in for the year ended June 30, 2022, were as follows:

<u>Fund</u>	<u>Transfers in From Other State Funds</u>	<u>Description/Purpose</u>
Illinois Prepaid Tuition Program	\$ 250,000	Transfer from the General Fund for intergovernmental payment.
	<u>\$ 250,000</u>	

(Continued)

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NOTE 6 - INTERFUND BALANCES AND ACTIVITY (Continued)

Interfund transfers out for the year ended June 30, 2022, were as follows:

<u>Fund</u>	Transfers Out From Other State Funds	<u>Description/Purpose</u>
General	\$ 250,000	Transfer to the College Illinois for intergovernmental payment.
	<u>\$ 250,000</u>	

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,700	\$ -	\$ -	\$ 2,700
Capital assets being depreciated:				
Buildings	19,229	-	-	19,229
Equipment	<u>24</u>	<u>-</u>	<u>-</u>	<u>24</u>
Total capital assets being depreciated	19,253	-	-	19,253
Less accumulated depreciation:				
Buildings	(13,825)	(78)	-	(13,903)
Equipment	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>(24)</u>
Total accumulated depreciation	<u>(13,849)</u>	<u>(78)</u>	<u>-</u>	<u>(13,927)</u>
Total capital assets being depreciated, net	<u>5,404</u>	<u>(78)</u>	<u>-</u>	<u>5,326</u>
Governmental activities capital assets, net	<u>\$ 8,104</u>	<u>\$ (78)</u>	<u>\$ -</u>	<u>\$ 8,026</u>

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
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NOTE 7 - CAPITAL ASSETS (Continued)

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>
Business-type activities				
<i>Illinois Designated Account Purchase Program Fund:</i>				
Capital assets being depreciated				
Equipment	\$ 205	\$ -	\$ -	\$ 205
Less accumulated depreciation				
Equipment	<u>(205)</u>	<u>-</u>	<u>-</u>	<u>(205)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <i>Nonmajor Enterprise Funds:</i>				
Capital assets being depreciated				
Leases - buildings	-	831	-	831
Equipment and automobiles	1,118	30	-	1,148
Leases - equipment	-	119	-	119
Internally generated software	3,357	-	-	3,357
Less accumulated depreciation				
Leases - buildings	-	(90)	-	(90)
Equipment and automobiles	(681)	(139)	-	(820)
Leases - equipment	-	(45)	-	(45)
Internally generated software	<u>(2,938)</u>	<u>(419)</u>	<u>-</u>	<u>(3,357)</u>
Total capital assets being depreciated, net	<u>856</u>	<u>287</u>	<u>-</u>	<u>1,143</u>
 Business-type activities capital assets, net	 <u>\$ 856</u>	 <u>\$ 287</u>	 <u>\$ -</u>	 <u>\$ 1,143</u>

Depreciation expense for governmental activities on the Government-wide Statement of Activities for the year ended June 30, 2022, amounted to \$78. Of that amount, 100% was charged to the Scholarships, awards, and grants function.

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

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

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STATE OF ILLINOIS
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NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE (Continued)

The indenture has a provision that any excess cash in the trust is used to pay down the principal amount of the Notes. The Class A-1 and the Class A-2 tranches have been paid off. The total principal and interest remaining to be paid on the bonds is approximately \$119,671. 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, 2022, variable interest rates were 1.1840% for the LIBOR FRN Class A-3.

Annual principal and interest payments on the bonds are expected to require approximately 98 percent of the related student loan collections. Principal and interest paid for the current year were \$20,097 and \$1,147, respectively. Total related student loan principal and interest received were \$23,385 and \$3,214, 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 2022 is \$4,043. Amortization is included as a reduction of interest expense on the Statement of Revenues, Expenses, and Changes in Fund Net Position.

Changes in Long-Term Obligations: Changes in long-term obligations for the year ended June 30, 2022, were as follows:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>	Amounts Due Within <u>One Year</u>
Governmental activities					
Other long-term obligations					
Compensated absences	\$ 1,773	\$ 1,093	\$ (1,044)	\$ 1,822	\$ 205
	<u>\$ 1,773</u>	<u>\$ 1,093</u>	<u>\$ (1,044)</u>	<u>\$ 1,822</u>	<u>\$ 205</u>
Business-type activities					
<i>Illinois Designated Account Purchase Program Fund:</i>					
Revenue bonds/notes payable:					
Series 2010, Class A-3	\$ 102,069	\$ -	\$ (20,097)	\$ 81,972	\$ -
Unamortized discounts	(5,009)	-	208	(4,801)	-
Other long-term obligations					
Compensated absences	70	36	(32)	74	7
Total Illinois Designated Account Purchase Program	97,130	36	(19,921)	77,245	7
<i>Illinois Prepaid Tuition Program</i>					
Tuition obligation	786,268	(3,109)	(122,915)	660,244	122,861
Total Illinois Prepaid Tuition Program	786,268	(3,109)	(122,915)	660,244	122,861
<i>Nonmajor Enterprise Fund:</i>					
Compensated absences	381	242	(208)	415	41
Total Nonmajor Enterprise Fund	381	242	(208)	415	41
Total Business-type activities Long-term obligations, net	<u>\$ 883,779</u>	<u>\$ (2,831)</u>	<u>\$ (143,044)</u>	<u>\$ 737,904</u>	<u>\$ 122,909</u>

(Continued)

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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, 2022. 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 <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023		\$ 1,708	\$ 1,708
2024		1,708	1,708
2025		1,708	1,708
2026		1,708	1,708
2027		1,708	1,708
2028-2032		8,542	8,542
2033-2037		8,542	8,542
2038-2042		8,542	8,542
2043-2046	<u>81,972</u>	<u>3,533</u>	<u>85,505</u>
Plus (minus)	81,972	<u>\$ 37,699</u>	<u>\$ 119,671</u>
Unamortized discounts	<u>(4,801)</u>		
Net long-term principal outstanding	<u>\$ 77,171</u>		

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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, 2022. See actuarial assumptions and additional information in Note 13.

Tuition obligation activity for the year ended June 30, 2022, is as follows:

Balance, July 1, 2021	\$ 786,268
Add:	
Contributions received in FY 2022	4,789
Change in contracts receivable, at present value*	(3,989)
Adjust tuition obligation based on actuarial valuation	(3,909)
Less:	
Return of contributions	(21,946)
Tuition payments	<u>(100,969)</u>
 Balance as of June 30, 2022 **	 <u>\$ 660,244</u>
 Reported as:	
Current	\$ 122,861
Noncurrent	<u>537,383</u>
	 <u>\$ 660,244</u>

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

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

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STATE OF ILLINOIS
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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, 2022, was 1.06171%.

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 2022 there was \$12,666 in principal and \$2,129 in interest collected all of which was transferred to the trust. During the same period the trust paid \$673 for interest expense and other professional fees and \$748 for servicing fees.

Changes in the revolving credit line are as follows:

	Balance <u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>	Amounts Due Within <u>One Year</u>
Citibank	\$ 64,487	\$ -	\$ (13,500)	\$ 50,987	\$ 50,987

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, 2022.

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

(Continued)

STATE OF ILLINOIS
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Year Ended June 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLAN

Plan Description: Substantially all of the Commission’s full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a single-employer defined benefit pension trust fund in the State of Illinois reporting entity. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). The plan consists of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State’s retirement plans on or after January 1, 2011, are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011, or those who have service credit prior to January 1, 2011.

The provisions below apply to both Tier 1 and 2 members, except where noted. The SERS issues a separate ACFR available at www.srs.illinois.gov or that may be obtained by writing to the SERS, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255.

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

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

Regular Formula Tier 1	Regular Formula Tier 2
<p>A member must have a minimum of eight years of service credit and may retire at:</p> <ul style="list-style-type: none"> • Age 60, with 8 years of service credit. • Any age, when the member’s age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with 8 years of credited service. • Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60). <p>The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service.</p>	<p>A member must have a minimum of 10 years of credited service and may retire at:</p> <ul style="list-style-type: none"> • Age 67, with 10 years of credited service. • Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67). <p>The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of \$107. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.</p>

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NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Regular Formula Tier 1	Regular Formula Tier 2
<p>Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement.</p> <p>If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>	<p>If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2021 rate is \$117.</p> <p>If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>

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

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least 18 months of credited service with the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through the System. Certain nonoccupational death benefits vest after 18 months of credited service. Occupational death benefits are provided from the date of employment.

Contributions: Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed \$107 with limitations for future years increased by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2022, this amount was \$120.

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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 2022, 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 2022, the employer contribution rate was 56.169%. The Commission's contribution amount for fiscal year 2022 was \$1,550. In addition, the Commission recorded \$7,426 of revenue and expenditures in the General Revenue account of the General Fund to account for payments to SERS for Commission's employees that were paid from statewide General Revenue Fund appropriations.

Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and Expense Related to Pensions: At June 30, 2022, the Commission reported a liability of \$121,020 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, 2021 (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, 2021. As of the current year measurement date of June 30, 2021, the Commission's proportion was 0.366%, which was an increase of 0.06% from its proportion measured as of the prior year measurement date of June 30, 2020.

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ILLINOIS STUDENT ASSISTANCE COMMISSION
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NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended June 30, 2022, the Commission recognized pension expense of \$12,936. At June 30, 2022, the Commission reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2021, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,899	\$ 106
Changes in assumptions	4,710	137
Net difference between projected and actual investment earnings on pension plan investments	-	9,328
Changes in proportion	46,920	29,005
Commission contributions subsequent to the measurement date	<u>8,977</u>	<u>-</u>
Total	<u>\$ 62,506</u>	<u>\$ 38,576</u>

\$8,977 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

Year Ended <u>June 30,</u>	<u>Amount</u>
2023	\$ 4,511
2024	4,935
2025	4,965
2026	542
Thereafter	<u>-</u>
Total	<u>\$ 14,953</u>

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NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Methods and Assumptions:

	<u>SERS</u>
Valuation date	6/30/2021
Measurement date	6/30/2021
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	6.75%
Projected salary increases*	2.75% - 7.17%
Inflation rate	2.25%
Postretirement benefit increases	
Tier 1	3%, compounded
Tier 2	Lesser of 3% or 1/2 of CPI [^] , on original benefit
Retirement age experience study ^{^^}	July 2015 - June 2018
Mortality ^{^^^}	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018
SERS	
<p>Note: the above actuarial assumptions were used to calculate the total pension liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the total pension liability as of the prior year measurement date.</p> <p>* Includes inflation rate listed.</p> <p>[^] Consumer Price Index</p> <p>^{^^} The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.</p> <p>^{^^^} Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.</p>	

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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
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NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

The long-term expected real rate of return on pension plan investments is determined using the best estimates of geometric real rates of return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2021, the best estimates of geometric real rates of return are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	23.0%	4.80%
Developed Foreign Equity	13.0%	5.30%
Emerging Market Equity	8.0%	6.50%
Private Equity	7.0%	6.80%
Intermediate Investment Grade Bonds	14.0%	40.00%
Long-term Government Bonds	4.0%	60.00%
TIPS	4.0%	30.00%
High Yield and Bank Loans	5.0%	2.50%
Opportunistic Debt	8.0%	4.30%
Emerging Market Debt	2.0%	2.20%
Real Estate	10.0%	5.60%
Infrastructure	2.0%	6.50%
	<u>100.0%</u>	

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NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate: A discount rate of 6.20% was used to measure the total pension liability as of the measurement date of June 30, 2021, as compared to a discount rate of 6.35% used to measure the total pension liability as of the prior year measurement date. The June 30, 2021, single blended discount rate was based on the expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 1.92%, based on an index of 20-year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2076. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2076, and the municipal bond rate was applied to all benefit payments after that date.

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

	1% Decrease	Discount Rate	1% Increase
	5.20%	6.20%	7.20%
Commission's proportionate share of the net pension liability	\$ 149,332	\$ 121,020	\$ 97,783

Payables to the Pension Plan: At June 30, 2022, the Commission reported a payable of \$0.1 to SERS for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

NOTE 12 - POST-EMPLOYMENT BENEFITS

Plan Description: The State Employees Group Insurance Act of 1971 ("Act"), as amended, authorizes the Illinois State Employees Group Insurance Program (SEGIP) to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the Commission's full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees' Retirement System of Illinois ("SERS"), Teachers' Retirement System (TRS), and State Universities Retirement System of Illinois ("SURS") are eligible for these other post-employment benefits (OPEB). The eligibility provisions for each of the retirement systems are defined within (Note 12). Certain TRS members eligible for coverage under SEGIP include certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees, and members with certain reciprocal service.

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

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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
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Year Ended June 30, 2022

NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

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

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

For Fiscal Year 2022, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$11, (\$6 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$14 (\$6 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Contribution: The Commission's contribution amount to SEGIP for fiscal year 2022 was \$218. In addition, the Commission recorded \$1,339 of revenue and expenditures in the General Revenue account of the General Fund to account for contributions to SEGIP for Commission's employees that were paid from statewide General Revenue Fund appropriations.

Total OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and Expense Related to OPEB: The total OPEB liability, as reported at June 30, 2022, was measured as of June 30, 2021, with an actuarial valuation as of June 30, 2020. At June 30, 2022, the Commission recorded a liability of \$78,170 for its proportionate share of the State's total OPEB liability. The Commission's portion of the OPEB liability was based on the Commission's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2021. As of the current year measurement date of June 30, 2021, the Commission's proportion was 0.224%, which was an increase of 0.037% from its proportion measured as of the prior year measurement date of June 30, 2020.

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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
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Year Ended June 30, 2022

NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

The Commission recognized OPEB expense for the year ended June 30, 2022, of \$1,408. At June 30, 2022, the Commission reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2021, from the following sources (amounts expressed in thousands):

Deferred outflows of resources

Differences between expected and actual experience	\$ 571
Changes of assumptions	1,768
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,528
Commission benefits paid subsequent to the measurement date	<u>1,557</u>
Total deferred outflows of resources	<u>\$ 36,424</u>

Deferred inflows of resources

Differences between expected and actual experience	\$ 544
Changes of assumptions	21,512
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>18,077</u>
Total deferred inflows of resources	<u>\$ 40,133</u>

The amounts reported as deferred outflows of resources related to OPEB resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

<u>Year Ended June 30,</u>	<u>Amount</u>
2023	\$ (2,234)
2024	(603)
2025	(1,655)
2026	(679)
2027	<u>(95)</u>
Total	<u>\$ (5,266)</u>

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STATE OF ILLINOIS
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NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions: The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2020, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2020.

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial assumptions:	
Inflation Rate	2.25%
Projected Salary Increases*	2.50% - 12.25%
Healthcare Cost Trend Rate:	
Medical & Rx (Pre-Medicare & Post-Medicare)	8.00% grading down 0.25% per year over 15 years to 4.25% in year 2038. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Dental and Vision	3.75% grading up 0.25% in the first year to 4.00% through 2038.
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2021 and 2022 are based on actual premiums. Premiums after 2022 were projected based on the same healthcare cost trend rates applied to per capita claim costs.
Note: the above actuarial assumptions were used to calculate the OPEB liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the OPEB liability as of the prior year measurement date except for the following:	
Healthcare Cost Trend Rate:	
Medical and Rx (Pre-Medicare & Post-Medicare)	8.25% grading down 0.25% per year over 16 years to an ultimate trend of 4.25% in the year 2037. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Dental and Vision	4.00% grading up 0.25% in the first year to 4.25% through 2037.
* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.	

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NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2020, valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study [^]	Mortality ^{^^}
GARS	July 2015 - June 2018	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 99% for males and females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales
JRS	July 2015 - June 2018	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 102% for males and 98% for females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales
SERS	July 2015 - June 2018	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement
TRS	July 2014 - June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017
SURS	July 2014 - June 2017	RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants

[^] The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.

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

Demographic assumptions used in OPEB valuation are identical to those used in the June 30, 2020, valuations for Pensions. Thus, for GARS, JRS and SERS, the 2020 valuation information for pensions is presented in the FY 2021 ACFR in Footnote (FN) 16. For TRS and SURS, the 2020 valuation information is presented in the FY 2021 ACFR in FN 16 (the FN shows FY 2019, but it is actually FY 2019 Census data rolled forward to the FY 2020 Valuation date).

Discount Rate: Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 2.45% at June 30, 2020, and 1.92% at June 30, 2021, was used to measure the total OPEB liability.

(Continued)

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ILLINOIS STUDENT ASSISTANCE COMMISSION
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Year Ended June 30, 2022

NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

Sensitivity of Total OPEB Liability to Changes in the Single Discount Rate: The following presents the plan's total OPEB liability, calculated using a Single Discount Rate of 1.92%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (2.92%) or lower (0.92%) than the current rate (amounts expressed in thousands):

	1% Decrease (0.92%)	Current Single Discount Rate Assumption (1.92%)	1% Increase (2.92%)
Commission's proportionate share of total OPEB liability	\$ 92,318	\$ 78,170	\$ 66,975

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate: The following presents the plans total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands). The key trend rates are 8.00 % in 2023 decreasing to an ultimate trend rate of 4.25% in 2038.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
Commission's proportionate share of total OPEB liability	\$ 65,230	\$ 78,170	\$ 95,292

A one percentage point decrease in healthcare trend rates is 7.00% in plan year end 2023 decreasing to an ultimate trend rate of 3.25% in plan year end 2038.

A one percentage point increase in healthcare trend rates is 9.00% in plan year end 2023 decreasing to an ultimate trend rate of 5.25% in plan year 2038.

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NOTE 13 - LEASES

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

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

Certain of the Commission's leases contain both fixed and variable lease payments. These exist primarily within the leases for rental facilities related to rent escalations based on usage rate which are determined annually. The remaining equipment and other leases do not contain variable lease payments. The variable payments are not included in the calculation of the lease liability due to rent escalations based on usage rate and common area. The total expenditures for variable payments not previously included in the measurement of the lease liability during the fiscal year ended June 30, 2022, were \$10.

The total expenditures for maintenance costs, per click usage and overage not previously included in the measurement of the lease liability during the fiscal year ended June 30, 2022, were \$26.

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

The Commission recognized \$0 of expense during fiscal year ended June 30, 2022, associated with the residual value guarantees or termination penalties.

At June 30, 2022, right-to-use assets under leases are as follows:

Buildings	\$ 831
Equipment	<u>119</u>
	950
Less: Accumulated amortization	<u>135</u>
	<u><u>\$ 815</u></u>

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NOTE 13 - LEASES (continued)

Future minimum commitments for non-cancelable leases as of June 30, 2022, are as follows:

Year Ending June 30	Principal	Interest
2023	\$ 125	\$ 23
2024	113	19
2025	86	16
2026	90	14
2027	93	11
Thereafter	321	16
Total	\$ 828	\$ 99

NOTE 14 - FUND BALANCES AND NET POSITION

Deficit in Fund Net Position: As of June 30, 2022, the Illinois Prepaid Tuition Program has a deficit in net position of \$14,762. The Program received a \$250 million transfer in from the General Revenue Fund in Fiscal Year 2022. The table below details a reconciliation of the fund deficit in the financial statements to the fund deficit in the Actuarial Soundness Report as of June 30, 2022.

Unfunded liability per actuarial soundness report	\$ (28,006)
Present value of accrued future administrative expense	14,617
Other accrued liabilities	(1,373)
Fund deficit per Statement of Net Position	\$ (14,762)

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

Gabriel, Roeder, Smith and Company, the independent actuarial firm retained by College Illinois!®, has performed an actuarial soundness valuation of College Illinois!®, the State's section 529 prepaid tuition program, as of June 30, 2022, to evaluate the financial viability of the Program as of June 30, 2022. The complete Actuarial Soundness Report as of June 30, 2022, is included in the Other Information Section.

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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 14 - FUND BALANCES AND NET POSITION (Continued)

As detailed in the attached Actuarial report the Program enrollment has been on hold and will continue to be on hold for the 2022/2023 enrollment period pending continuing discussion with policymakers to help define and advance proposals that will strengthen the Program. The Program continues to operate as usual with no change in benefits, customer service, or plan administration. Those with beneficiaries in college continue to see benefit payments paid as usual. The Program retains a substantial investment portfolio in a separate fund to pay obligation for a number of years without requiring funding from the state.

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

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

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

APV of future benefits obligation*		<u>\$ 660,244</u>
Funded ratio		95.90%
Actuarial assumptions:		
Actuarial valuation date		June 30, 2022
Assumed net investment return	5.00% in FY22 then grading down in annual increments of 0.333 to an ultimate investment rate of 3.00% for fiscal years on and after 2029	
Rates of cancelation	Varies according to years from projected college entrance year	
Tuition increase all contract types:		
All future years		4.25%

* For all existing contracts as of June 30, 2022

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STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 14 - FUND BALANCES AND NET POSITION (Continued)

The actuarial present value of the future benefits obligation decreased by approximately \$126 million compared to the balance reported at June 30, 2021. Contributing to the overall decrease was tuition paid.

Restrictions and Commitments: As of June 30, 2022, the Commission reported the following net position restrictions and fund balance commitments:

The Illinois Designated Account Purchase Program reported \$44,097 of net position restricted for debt service. The ISAC Accounts Receivable Fund and the University Grant Fund reported \$45 and \$101, respectively, in fund balance committed for scholarships, awards and grants.

NOTE 15 – TRANSITION OF FFELP

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

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

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

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

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

(Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)
Year Ended June 30, 2022

NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Upon the Commission's adoption of GASB Statement No. 95, the effective date of the Statement was delayed for the Commission until the fiscal year ended June 30, 2023. Management has not determined what impact, if any, this Statement will have on its financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements and to provide guidance for accounting and financial reporting for availability payment arrangements. This Statement is effective for the Commission's fiscal year ended June 30, 2023. Management has not determined what impact, if any, this Statement will have on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This Statement is effective for the Commission's fiscal year ended June 30, 2023. Management has not determined what impact, if any, this Statement will have on its financial statements.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, public-private and public-public partnerships, and subscription-based information technology arrangements are effective for the Commission's fiscal year ended June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments are effective for the Commission's fiscal year ended June 30, 2024. Management has not determined what impact, if any, this Statement will have on its financial statements.

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

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

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR GOVERNMENTAL FUND
GENERAL FUND - BUDGETARY BASIS
Year Ended June 30, 2022
(Dollars in thousands)

	Budgeted Amounts		Actual Amount	Actual Amounts GAAP Basis	Variance From Final Budget
	Original	Final			
Revenues (inflows)					
Appropriations from State resources and other revenues					
General revenue account	\$ 771,714	\$ 771,714	\$ 777,113	\$ 777,113	\$ 5,399
Education assistance account	11,151	11,151	10,479	10,479	(672)
Combined totals	<u>782,865</u>	<u>782,865</u>	<u>787,592</u>	<u>787,592</u>	<u>4,727</u>
Expenditures (outflows)					
Education					
Program, administration, and capital outlay					
General revenue account	771,714	771,714	528,368	528,368	243,346
Education assistance account	11,151	11,151	10,479	10,479	672
Combined totals	<u>782,865</u>	<u>782,865</u>	<u>538,847</u>	<u>538,847</u>	<u>244,018</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>248,745</u>	<u>248,745</u>	<u>248,745</u>
Other sources (uses) of financial resources					
Transfers in	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,255)</u>	<u>(1,255)</u>	<u>\$ (1,255)</u>
Fund balance, July 1, 2021			<u>2,455</u>	<u>2,455</u>	
Fund balance, June 30, 2022			<u>\$ 1,200</u>	<u>\$ 1,200</u>	

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2022
(Dollars in thousands)

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

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

Actual revenue amounts on the budgetary basis	<u>\$ 777,113</u>
Total revenues on the GAAP basis	<u>\$ 777,113</u>

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING SCHEDULES OF ACCOUNTS
GENERAL FUND
June 30, 2022
(Dollars in thousands)

	General Revenue <u>Account</u>	Educational Assistance <u>Account</u>	<u>Total</u>
ASSETS			
Unexpended appropriations	\$ 35,636	\$ 140	\$ 35,776
Notes receivable, net of allowance of \$34,450	<u>1,200</u>	<u>-</u>	<u>1,200</u>
 Total assets	 <u>\$ 36,836</u>	 <u>\$ 140</u>	 <u>\$ 36,976</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ 285	\$ 94	\$ 379
Due to State of Illinois component units	<u>35,351</u>	<u>46</u>	<u>35,397</u>
 Total liabilities	 <u>35,636</u>	 <u>140</u>	 <u>35,776</u>
Fund balances			
Nonspendable, notes receivable	<u>1,200</u>	<u>-</u>	<u>1,200</u>
 Total liabilities and fund balances	 <u>\$ 36,836</u>	 <u>\$ 140</u>	 <u>\$ 36,976</u>

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
Year Ended June 30, 2022
(Dollars in thousands)

	General Revenue <u>Account</u>	Educational Assistance <u>Account</u>	<u>Total</u>
Revenues			
Other	\$ 4	\$ -	\$ 4
Expenditures			
Education			
Scholarship, awards and grants	\$ 528,368	\$ 10,479	\$ 538,847
Deficiency of revenues over expenditures	(528,364)	(10,479)	(538,843)
Other sources (uses) of financial resources			
Appropriations from State resources	771,714	11,151	782,865
Lapsed appropriations	(1,430)	(640)	(2,070)
Receipts remitted to (from) State Treasury	(2,491)	(32)	(2,523)
SERS / OPEB on behalf contribution	9,316	-	9,316
Transfers out	(250,000)	-	(250,000)
Net other sources (uses) of financial resources	<u>527,109</u>	<u>10,479</u>	<u>537,588</u>
Net change in fund balances	(1,255)	-	(1,255)
Fund balance, July 1, 2021	<u>2,455</u>	<u>-</u>	<u>2,455</u>
Fund balance, June 30, 2022	<u>\$ 1,200</u>	<u>\$ -</u>	<u>\$ 1,200</u>

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022
(Dollars in thousands)

	Special Revenue Funds			
	ISAC Accounts Receivable	John R. Justice Grant	Gear Up Grant	State Cure
ASSETS				
Cash and cash equivalents	\$ 45	\$ -	\$ -	\$ -
Receivables				
Other	-	58	934	-
Total assets	<u>\$ 45</u>	<u>\$ 58</u>	<u>\$ 934</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 58	\$ 933	\$ -
Due to other State funds	-	-	1	-
Unearned revenue	-	-	-	-
Total liabilities	-	58	934	-
Fund balances				
Committed	45	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>45</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 45</u>	<u>\$ 58</u>	<u>\$ 934</u>	<u>\$ -</u>

Special Revenue Funds					Debt Service Fund	Total Nonmajor Governmental Funds
Golden Apple Scholars	University Grant	Contract and Grant	Optometric Education	Total	ISAC COP	
\$ 42	\$ 105	\$ -	\$ -	\$ 192	-	192
-	-	-	-	992	-	992
<u>\$ 42</u>	<u>\$ 105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,184</u>	<u>\$ -</u>	<u>\$ 1,184</u>
\$ 42	\$ -	\$ -	\$ -	\$ 1,033	\$ -	\$ 1,033
-	-	-	-	1	-	1
<u>2</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>6</u>
44	4	-	-	1,040	-	1,040
-	101	-	-	146	-	146
<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>(2)</u>
<u>(2)</u>	<u>101</u>	<u>-</u>	<u>-</u>	<u>144</u>	<u>-</u>	<u>144</u>
<u>\$ 42</u>	<u>\$ 105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,184</u>	<u>\$ -</u>	<u>\$ 1,184</u>

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2022
(Dollars in thousands)

	Special Revenue Funds			
	ISAC Accounts Receivable	John R. Justice Grant	Gear Up Grant	State Cure
Revenues				
Federal government	\$ -	\$ 58	\$ 2,851	\$ 423
Other	71	-	-	-
Total revenues	<u>71</u>	<u>58</u>	<u>2,851</u>	<u>423</u>
Expenditures				
Education				
Scholarships, awards and grants	<u>43</u>	<u>58</u>	<u>2,851</u>	<u>423</u>
Total expenditures	<u>43</u>	<u>58</u>	<u>2,851</u>	<u>423</u>
Excess (deficiency) of revenues over expenditures	28	-	-	-
Other sources (uses) of financial resources				
Appropriations from State resources	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	-
Net change in fund balances	28	-	-	-
Fund balance, July 1, 2021	<u>17</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds					Debt Service Fund	Total Nonmajor Governmental Funds
Golden Apple Scholars	University Grant	Contract and Grant	Optometric Education	Total	ISAC COP	
\$ -	\$ -	\$ -	\$ -	\$ 3,332	\$ -	\$ 3,332
<u>44</u>	<u>91</u>	<u>-</u>	<u>-</u>	<u>206</u>	<u>-</u>	<u>206</u>
44	91	-	-	3,538	-	3,538
<u>42</u>	<u>93</u>	<u>-</u>	<u>48</u>	<u>3,558</u>	<u>-</u>	<u>3,558</u>
<u>42</u>	<u>93</u>	<u>-</u>	<u>48</u>	<u>3,558</u>	<u>-</u>	<u>3,558</u>
2	(2)	-	(48)	(20)	-	(20)
<u>-</u>	<u>-</u>	<u>-</u>	<u>48</u>	<u>48</u>	<u>-</u>	<u>48</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>48</u>	<u>48</u>	<u>-</u>	<u>48</u>
2	(2)	-	-	28	-	28
<u>(4)</u>	<u>103</u>	<u>-</u>	<u>-</u>	<u>116</u>	<u>-</u>	<u>116</u>
<u>\$ (2)</u>	<u>\$ 101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144</u>	<u>\$ -</u>	<u>\$ 144</u>

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2022
(Dollars in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Eliminations	Total
ASSETS				
Current				
Cash and cash equivalents	\$ 65,986	\$ 39,234	\$ -	\$ 105,220
Receivables				
Intergovernmental	96	-	-	96
Accrued interest on investments	61	36	-	97
Securities lending collateral	10,460	6,216	-	16,676
Due from other State funds	4,802	-	-	4,802
Due from other ISAC funds	2,031	-	-	2,031
Total current assets	<u>83,436</u>	<u>45,486</u>	-	<u>128,922</u>
Non-current				
Capital assets, net of accumulated depreciation	1,143	-	-	1,143
Total non-current assets	<u>1,143</u>	<u>-</u>	<u>-</u>	<u>1,143</u>
Total assets	84,579	45,486	-	130,065
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	9,568	-	-	9,568
OPEB related amounts	3,374	-	-	3,374
Total deferred outflows of resources	<u>12,942</u>	<u>-</u>	<u>-</u>	<u>12,942</u>
Total assets and deferred outflows of resources	<u>\$ 97,521</u>	<u>\$ 45,486</u>	<u>\$ -</u>	<u>\$ 143,007</u>
LIABILITIES				
Current				
Accounts payable and accrued liabilities	\$ 3,397	\$ 6,500	\$ -	\$ 9,897
Due to other State funds	202	-	-	202
Due to State of Illinois component units	1,461	-	-	1,461
Securities lending collateral obligation	10,460	6,216	-	16,676
Due to U.S. Department of Education	-	32,770	-	32,770
Net OPEB liability	117	-	-	117
Lease liability	125	-	-	125
Compensated absences	41	-	-	41
Total current liabilities	<u>15,803</u>	<u>45,486</u>	<u>-</u>	<u>61,289</u>
Non-current				
Net pension liability	24,031	-	-	24,031
Net OPEB liability	11,191	-	-	11,191
Lease liability	703	-	-	703
Compensated absences	374	-	-	374
Total non-current liabilities	<u>36,299</u>	<u>-</u>	<u>-</u>	<u>36,299</u>
Total liabilities	52,102	45,486	-	97,588
DEFERRED INFLOWS OF RESOURCES				
Pension related amounts	26,804	-	-	26,804
OPEB related amounts	17,771	-	-	17,771
Total deferred inflows of resources	<u>44,575</u>	<u>-</u>	<u>-</u>	<u>44,575</u>
NET POSITION				
Net investment in capital assets	1,143	-	-	1,143
Unrestricted	(299)	-	-	(299)
Total net position	<u>844</u>	<u>-</u>	<u>-</u>	<u>844</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 97,521</u>	<u>\$ 45,486</u>	<u>\$ -</u>	<u>\$ 143,007</u>

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2022
(Dollars in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Operating revenues			
Portfolio maintenance fees	\$ 999	\$ -	\$ 999
Direct consolidation fees	97	-	97
ECACE grant revenue	6,162	-	6,162
Collections on student loans previously reimbursed by the U.S. Department of Education	-	1,760	1,760
Other	2,076	-	2,076
Total operating revenues	<u>9,334</u>	<u>1,760</u>	<u>11,094</u>
Operating expenses			
Salaries and employee benefits	1,587	-	1,587
Pension expenses	(7,565)	-	(7,565)
OPEB expenses	(4,816)	-	(4,816)
Loan guarantees	-	83,699	83,699
Management and professional services	12,476	-	12,476
Depreciation	693	-	693
Total operating expenses	<u>2,375</u>	<u>83,699</u>	<u>86,074</u>
Operating loss	6,959	(81,939)	(74,980)
Non-operating revenues			
Federal government	-	44,582	44,582
Interest revenue	259	161	420
Total non-operating revenue	<u>259</u>	<u>44,743</u>	<u>45,002</u>
Non-operating expenses			
Interest expense	27	-	27
Total non-operating expenses	<u>27</u>	<u>-</u>	<u>27</u>
Income (loss) before transfers	7,191	(37,196)	(30,005)
Transfers for:			
Collection retention fees	5,828	(5,828)	-
Repurchases/rehabilitations/consolidation retention fees	1,921	(1,921)	-
Direct consolidation fee refund	(2)	2	-
Default aversion fees	40	(40)	-
Net transfers	<u>7,787</u>	<u>(7,787)</u>	<u>-</u>
Change in net position	14,978	(44,983)	(30,005)
Net Position, July 1, 2021	<u>(14,134)</u>	<u>44,983</u>	<u>30,849</u>
Net Position, June 30, 2022	<u>\$ 844</u>	<u>\$ -</u>	<u>\$ 844</u>

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year ended June 30, 2022
(Dollars in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Cash flows from operating activities			
Cash received from fees and other charges	\$ 5,889	\$ 14,322	\$ 20,211
Cash payments to suppliers for goods and services	(252)	-	(252)
Cash payments to employees for services	(2,452)	-	(2,452)
Cash payments for loan guarantees	-	(85,248)	(85,248)
Cash payments for other operating activities	(8,916)	20,334	11,418
Net cash provided (used) by operating activities	(5,731)	(50,592)	(56,323)
Cash flows from noncapital financing activities			
Federal government grants	-	54,424	54,424
Transfers in	11,569	15	11,584
Transfers out	(15)	(11,569)	(11,584)
Net cash provided (used) by noncapital financing activities	11,554	42,870	54,424
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(30)	-	(30)
Principal paid on capital debt	(122)	-	(122)
Interest paid on capital debt	(27)	-	(27)
Net cash provided by capital and related financing activities	(179)	-	(179)
Cash flows from investing activities			
Interest and dividends on investments	213	136	349
Net cash provided by investing activities	213	136	349
Increase (decrease) in cash and cash equivalents	5,857	(7,586)	(1,729)
Cash and cash equivalents, July 1, 2021	60,129	46,820	106,949
Cash and cash equivalents, June 30, 2022	<u>\$ 65,986</u>	<u>\$ 39,234</u>	<u>\$ 105,220</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 6,959	\$ (81,939)	\$ (74,980)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	693	-	693
Change in assets and liabilities			
Intergovernmental receivables	230	-	230
Due from other State funds	(4,699)	-	(4,699)
Accounts payable and accrued liabilities	2,936	8	2,944
Intergovernmental payables	-	31,339	31,339
Due to other State funds and component units	1,397	-	1,397
Compensated absences	34	-	34
Deferred inflows related to pensions and OPEB	6,585	-	6,585
Deferred outflows related to pensions and OPEB	7,033	-	7,033
Net pension liability	(16,870)	-	(16,870)
Net OPEB liability	(10,029)	-	(10,029)
Total adjustments	(12,690)	31,347	18,657
Net cash provided (used) by operating activities	<u>\$ (5,731)</u>	<u>\$ (50,592)</u>	<u>\$ (56,323)</u>

OTHER INFORMATION

College Illinois![®] Prepaid Tuition Program

Actuarial Soundness Valuation Report as of
June 30, 2022





October 5, 2022

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

Re: College Illinois!® Prepaid Tuition Program Actuarial Soundness Valuation as of June 30, 2022

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, 2022. 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, 2022.

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, 2022, with the value of the assets associated with the program as of that same date;
- An analysis of the factors which caused the deficit/surplus to change since the prior actuarial valuation;
- Sensitivity testing; and
- A summary of the actuarial assumptions and methods utilized in the actuarial calculations.

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

The actuarial soundness valuation results set forth in this report are based upon data and information furnished by ISAC, concerning program benefits, financial transactions and beneficiaries of the CIPTP. We reviewed this information for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the Illinois Student Assistance Commission. Further, the data and information provided is through June 30, 2022, and does not reflect subsequent market volatility.

The actuarial soundness valuation results summarized in this report involve actuarial calculations that require assumptions about future events. Most of the actuarial assumptions (with the exception of the investment return assumption and the tuition and fee increase assumption) used in this valuation were based on an experience review for the period from July 1, 2011 to June 30, 2014, and were adopted for use commencing with the June 30, 2015 actuarial valuation.

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

Based on information provided to us by ISAC, changes to the following two actuarial assumptions are effective beginning with this actuarial valuation as of June 30, 2022:

- The “select and ultimate” rate structure for the investment return assumption and related discount rate for liabilities was changed from an initial rate of 5.25 percent for fiscal year 2022 and grading down to the ultimate rate of 3.00 percent for fiscal years 2027 and after to an initial rate of 5.00 percent for fiscal year 2023 (compared to the expected rate of 4.80 percent under the previous assumption) and grading down to the ultimate rate of 3.00 percent for fiscal years 2029 and after.
- The tuition and fee increase assumption was decreased from 4.50 percent for all types of contracts to 4.25 percent for all types of contracts.

The College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period and is still not accepting new contracts for the 2022/2023 enrollment period. ISAC recently secured state funding that has significantly addressed the College Illinois!® Prepaid Tuition Program unfunded liability. There were two State appropriations from the State’s General Revenue Fund on behalf of fiscal year 2022 – one for \$20 million and a second appropriation of \$230 million that are reflected in this actuarial valuation as of June 30, 2022. (There was an additional State appropriation of \$30 million on behalf of fiscal year 2021.)

Considering the current asset allocation, current and future liquidity requirements and the fact that program enrollment is on hold, we believe the net investment rate of return assumption of 5.00 percent in fiscal year 2023 grading down to 3.00 percent in 2029, on a select and ultimate basis, is reasonable based on applicable Actuarial Standards of Practice.

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

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

To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the College Illinois!® Prepaid Tuition Program as of June 30, 2022. All calculations have been made in conformity with generally accepted actuarial principles and practices commonly applicable to similar types of arrangements.

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

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

This report reflects the impact of COVID-19 through June 30, 2022. However, this report does not reflect the longer term and still developing future impact of COVID-19, which is likely to further influence demographic experience and economic expectations. We will continue to monitor these developments and their impact.

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

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

Respectfully submitted,

SIGNED ORIGINAL ON FILE

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

SIGNED ORIGINAL ON FILE

Amy Williams, ASA, MAAA, FCA
Senior Consultant



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SECTION A

EXECUTIVE SUMMARY

Summary of Results

Principal Actuarial Soundness Valuation Results

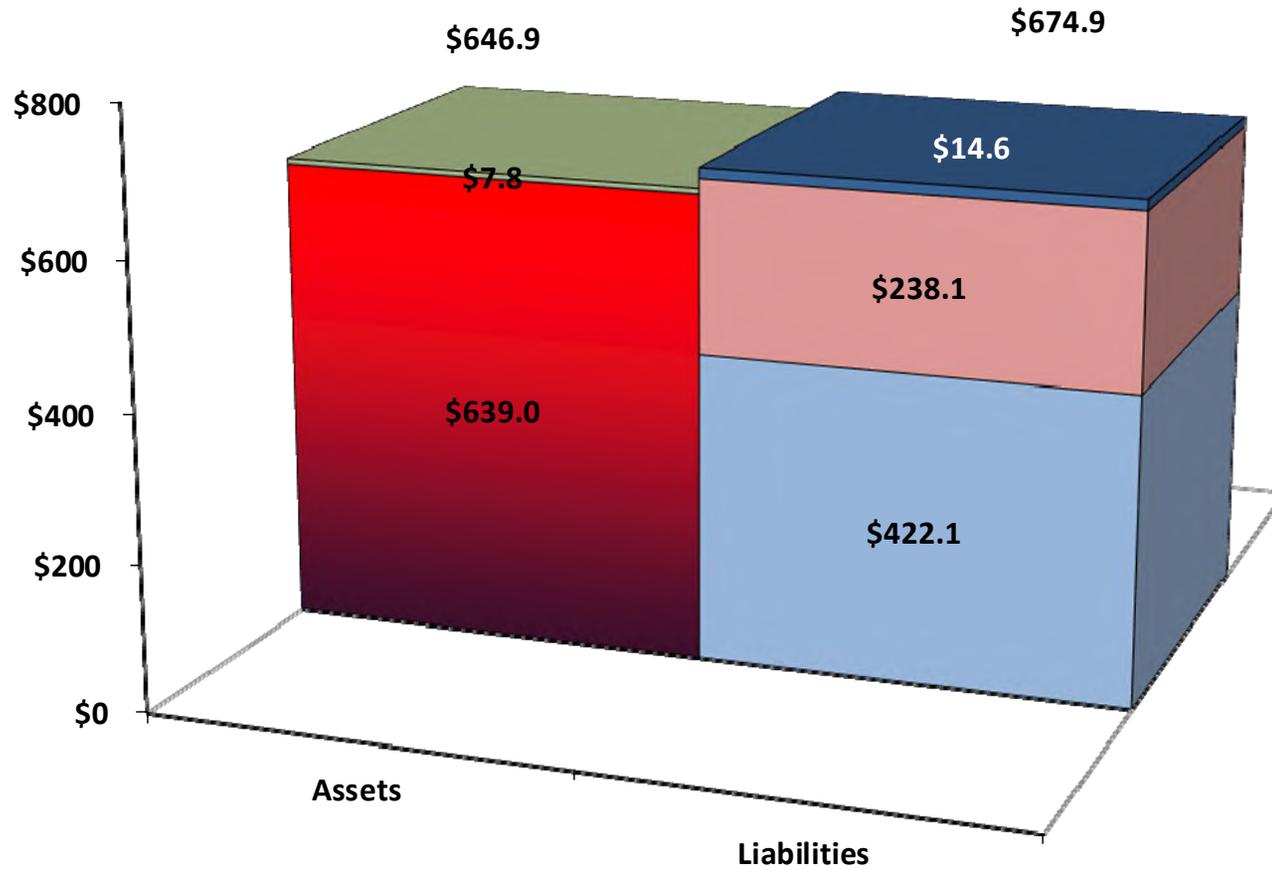
Valuation Date:	June 30, 2022	June 30, 2021
Membership Summary:		
Counts		
Not Yet Matriculating	10,837	13,164
Matriculating ^a	10,838	11,617
Total	21,675	24,781
 Average years until Enrollment if Not Yet Matriculating	 2.6	 2.8
Assets ^b		
· Actuarial Value of Assets (AVA)	\$646,854,088	\$571,117,732
· Estimated Return	-8.0%	17.3%
 Actuarial Liabilities (Present Value of Future Tuition Payments, Fees and Administrative Expenses)	 \$674,860,201	 \$809,398,995
 Deficit/(Surplus)	 \$28,006,113	 \$238,281,263
 Funded Ratio	 95.9%	 70.6%

^a Counts include 4,012 contracts in 2022 and 5,483 contracts in 2021 that are classified as "Matriculating" but have used less than 10 credits within the past year.

^b Asset values include present value of expected future contract payments from current contract holders.

Summary of Assets and Liabilities as of June 30, 2022

\$ in Millions



ASSETS	LIABILITIES
Market Value of Assets	PV Benefits Not Yet Matriculating
PV Future Contributions	PV Benefits Matriculating
	PV Administrative Fees

Numbers may not add due to rounding.

Summary of Results

Funded Status as of June 30, 2022

	June 30, 2022
Actuarial Present Value of Future Tuition Payments, Fees and Expenses	\$674,860,201
Actuarial Value of Assets (Including the Present Value of Installment Contract Receivables)	\$646,854,088
Deficit/(Surplus) as of June 30, 2022	\$28,006,113

Gain/Loss Summary

	Deficit/(Surplus)
Value at June 30, 2021	\$ 238,281,263
Expected Value at June 30, 2022	\$ 250,791,030
(Gain)/Loss Due to:	
Investment Experience	\$ 76,345,371
Due from Other State Funds	(250,000,000)
Change in Assumptions and Methods	(11,965,512)
Tuition/Fee Inflation	(26,830,449)
Other Demographic Experience*	(10,334,327)
Total	\$ (222,784,917)
Actual Value at June 30, 2022	\$ 28,006,113

* *Other Demographic Experience includes deviations in actual contract beneficiary experience from our assumptions related to rates of enrollment and utilization of benefits and contract terminations and refunds. Also includes changes in expected future administrative expenses compared to projections from the previous actuarial valuation.*

The change in assumptions and methods includes the change in the investment return assumption, the change in the tuition and fee increase assumption and the impact on the liabilities of the ultimate investment return assumption being first used in fiscal year 2029 compared to fiscal year 2027

Additional Details on the development of the Expected Value at June 30, 2022, can be found on page B-3.

Discussion

Actuarial Soundness Valuation

Gabriel, Roeder, Smith & Company (“GRS”) has performed an actuarial soundness valuation of the College Illinois!® Prepaid Tuition Program (“CIPTP”) as of June 30, 2022.

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, 2022, and compare such liabilities with the value of the assets associated with the program as of that same date;
- Illustrate results under sensitivity scenarios; and
- Analyze the factors which caused the deficit/surplus to change since the prior actuarial valuation.

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

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

Background

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

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

The first CIPTP contracts were offered for sale in 1998. As of June 30, 2022, the CIPTP had 21,675 contracts included in the actuarial valuation.

The College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period and is still not accepting new contracts for the 2022/2023 enrollment period. ISAC recently secured state funding that has significantly addressed the College Illinois!® Prepaid Tuition Program unfunded liability. There were two State appropriations from the State’s General Revenue Fund on behalf of fiscal year 2022 – one for \$20 million and a second appropriation of \$230 million that are reflected in this actuarial valuation as of June 30, 2022. (There was an additional State appropriation of \$30 million on behalf of fiscal year 2021.)

Discussion

Actuarial Assumptions

The actuarial soundness valuation results summarized in this report involve actuarial calculations that require assumptions about future events. Most of the actuarial assumptions (with the exception of the investment return assumption and the tuition and fee increase assumption) used in this valuation were based on an experience review for the period from July 1, 2011 to June 30, 2014, and were adopted for use commencing with the June 30, 2015 actuarial valuation.

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

Changes in Actuarial Assumptions since Prior Valuation

The net investment return assumption under the “select and ultimate” rate structure was changed from an initial rate of 5.25 percent for fiscal year 2022 grading down to the ultimate rate of 3.00 percent in fiscal years on and after 2027 (in 0.450 percent annual increments) to an initial rate of 5.00 percent for fiscal year 2023 grading down to the ultimate rate of 3.00 percent in fiscal years on and after 2029 (in 0.333 percent annual increments).

Considering the current asset allocation, current and future liquidity requirements, and the fact that the program enrollment is on hold (and has been since the 2017/2018 enrollment period), we believe the net select and ultimate investment rate of return assumption being used in the June 30, 2022 actuarial soundness valuation is reasonable, based on applicable Actuarial Standards of Practice.

In addition, the tuition and fee increase assumption was decreased from 4.50 percent for all contract types to 4.25 percent for all contract types.

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

Financial Status of Program as of June 30, 2022

As of June 30, 2022, the present value of all future tuition obligations under contracts outstanding (and including future administrative expenses) is \$674,860,201. The value of fund assets as of June 30, 2022, including the market value of program assets and the present value of installment contract receivables, is \$646,854,088. The value of fund assets as of June 30, 2022 includes the \$250 million fiscal year 2022 State appropriation from the General Revenue Fund.

The difference between the present value of future tuition obligations and the value of assets as of June 30, 2022, represents a program deficit of \$28,006,113. The comparable program deficit as of the last actuarial soundness valuation as of June 30, 2021, was \$238,281,263. This represents a decrease in the deficit of \$210,275,150.



Discussion

Gain/Loss Analysis

As described above, the program deficit decreased from \$238.3 million as of June 30, 2021, to \$28.0 million as of June 30, 2022. Based on the actuarial assumptions used during the June 30, 2021 actuarial soundness valuation and actual tuition payments, refunds and fees, the deficit was expected to increase to \$250.8 million. The primary factor which caused the deficit to decrease by \$222.8 million compared to the expected deficit was the \$250 million State appropriation from the General Revenue Fund during fiscal year 2022. In addition to the additional State appropriation, the program deficit decreased due to (1) assumption changes including the decrease to the tuition and fee increase assumption and the change in the investment return assumption, (2) tuition and fee increases that were less than expected (increases that were lower than the assumption of 4.50 percent used in the last actuarial valuation) and (3) other demographic experience (which includes deviations in actual contract beneficiary experience from our assumptions related to rates of enrollment and utilization of benefits and contract terminations and refunds and lower projected future administrative expenses compared to the previous actuarial valuation). These gains were offset by a loss due to actual investment returns that were less than expected (an actual rate of return less than the assumption of 5.25 percent used in the last actuarial valuation).

The funded ratio increased from 70.6 percent as of June 30, 2021, to 95.9 percent as of June 30, 2022.

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, 2021.

Assets

CIPTP assets are held in trust. ISAC provided the asset information used in the June 30, 2022 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 -8.0 percent for the year ended June 30, 2022.

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

Discussion

Contracts Sold by Enrollment Year

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

- The average annual number of contracts sold beginning with the enrollment period 1999/2000 and ending with the enrollment period 2009/2010 was 5,235.
- The average annual number of contracts sold during the last seven-year period 2010/2011 to 2016/2017 was 559 including 2011/2012 when the plan was not open for new contract sales.
- The average annual number of contracts sold during the last seven-year period 2010/2011 to 2016/2017 was 652 excluding 2011/2012 when the plan was not open for new contract sales.
- Program enrollment was placed on hold commencing with the 2017/2018 enrollment period and continues to be on hold. Therefore, there were zero contracts sold during the 2017/2018, the 2018/2019, 2019/2020, 2020/2021, and the 2021/2022 enrollment periods.

Projected Results

The College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period and is still not accepting new contracts for the 2022/2023 enrollment period. While the closing of the CIPTP has not occurred, we have completed a projection assuming that the program continues to operate but with no new contract sales after June 30, 2022. Based on an investment return assumption that grades down from 5.00 percent for the 2023 fiscal year to 3.00 percent for the 2029 fiscal year, current Trust assets including future payments from current contract holders, and future investment income are projected to be insufficient by the year 2033 to make the required tuition payments and additional funds will be required in fiscal year 2033 to maintain solvency. The results of this “closed group” projection are included in a separate report.

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

Disclosure

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

SECTION B

ACTUARIAL SOUNDNESS VALUATION RESULTS

Exhibit I

Principal Actuarial Soundness Valuation Results

Valuation Date:	June 30, 2022	June 30, 2021
1. Number of Members		
a. Not Yet Matriculating:	10,837	13,164
b. Matriculating ^a :	10,838	11,617
c. Total	21,675	24,781
Average Years until Enrollment if Not Yet Matriculating	2.6	2.8
2. Assets		
a. Market Value of Assets (in Trust)	\$ 639,028,685	\$ 559,303,255
b. PV Future Member Contributions	7,825,403	11,814,477
c. Total Actuarial Value of Assets (AVA) (2a + 2b)	\$ 646,854,088	\$ 571,117,732
3. Actuarial Results		
Liabilities		
a. Not yet Matriculating - Tuition and Fees	\$ 422,118,300	\$ 524,971,041
b. Matriculating - Tuition and Fees	238,125,023	261,296,790
c. Present Value of Future Administrative Expenses	14,616,878	23,131,164
d. Total	\$ 674,860,201	\$ 809,398,995
Unfunded Liability	\$ 28,006,113	\$ 238,281,263
Funded Ratio	95.9%	70.6%

^a Counts include 4,012 contracts in 2022 and 5,483 contracts in 2021 that are classified as "Matriculating" but have used a minimal amount of credits within the past year.

Exhibit I (Continued)

Principal Actuarial Soundness Valuation Results

Valuation Date:	June 30, 2022	June 30, 2021
1. Assets		
a. Market Value of Assets (in Trust)	\$ 639,028,685	\$ 559,303,255
b. PV Future Member Contributions (Short Term) ^a	2,492,367	3,774,429
c. PV Future Member Contributions (Long Term) ^b	5,333,036	8,040,048
d. Total Market Value of Assets (MVA)	\$ 646,854,088	\$ 571,117,732
2. Actuarial Present Value of Tuition, Fees and Admin Expenses		
a. Short Term ^a	\$ 122,860,544	\$ 129,464,512
b. Long Term ^b	551,999,657	679,934,483
c. Total	\$ 674,860,201	\$ 809,398,995
Unfunded Liability (Surplus)	\$ 28,006,113	\$ 238,281,263
Funded Ratio	95.9%	70.6%

^a Present value of amounts in following year.

^b Present value of amounts after first year.

Exhibit II (Gain)/Loss Summary

	Present Value of Benefits	Plan Assets ^a	Deficit/(Surplus)
1. Values at June 30, 2021	\$ 809,398,995	\$ 571,117,732	\$ 238,281,263
2. Actual Tuition Payments, Refunds and Administrative Expenses	\$ (125,161,928)	\$ (125,161,928)	\$ -
3. Interest on 1. and 2. at 5.25%	\$ 39,249,973	\$ 26,740,206	\$ 12,509,767
4. New Contracts	\$ -	\$ -	\$ -
5. Projected Values at June 30, 2022 (1. + 2. + 3. + 4.)	\$ 723,487,040	\$ 472,696,010	\$ 250,791,030
6. (Gain)/Loss Due to:			
Investment Experience	\$ -	\$ 76,345,371	\$ 76,345,371
Due from Other State Funds	-	(250,000,000)	(250,000,000)
Change in Assumptions and Methods	(12,027,955)	62,443	(11,965,512)
Tuition/Fee Inflation	(26,830,449)	-	(26,830,449)
Other Demographic Experience ^b	(9,768,435)	(565,892)	(10,334,327)
Total	\$ (48,626,839)	\$ (174,158,078)	\$ (222,784,917)
7. Actual Values at June 30, 2022 (5. + 6.)	\$ 674,860,201	\$ 646,854,088	\$ 28,006,113

^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, 2022, are equal to (5.-6.) which is the projected value minus the (gain)/loss total.

^b Other Demographic Experience includes deviations in actual contract beneficiary experience from the assumptions related to rates of enrollment and utilization of benefits and contract terminations and refunds. Also includes changes in expected future administrative expenses compared to projections from the previous actuarial valuation. Other Demographic Experience for Plan Assets is the change in the present value of expected future contract payments from current contract holders.

Exhibit III (Gain)/Loss History

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	Total 5-Year Change
Unfunded Liability at Prior Valuation Date	\$ 320,237,004	\$ 307,711,673	\$ 317,491,361	\$ 340,312,560	\$ 238,281,263	
Projected Unfunded Liability at Valuation Date	\$ 341,052,409	\$ 326,943,653	\$ 336,540,843	\$ 359,880,533	\$ 250,791,030	
(Gain)/Loss Due to:						
Investment Experience	\$ 7,573,155	\$ 15,885,182	\$ 29,831,698	\$ (58,571,581)	\$ 76,345,371	\$ 71,063,825
Due from Other State Funds	-	-	-	(30,000,000)	(250,000,000)	(280,000,000)
Change in Assumptions	(4,384,888)	(4,317,928)	2,020,837	(5,170,637)	(11,965,512)	(23,818,128)
Tuition/Fee Inflation	(25,580,322)	(16,543,198)	(17,329,898)	(26,860,166)	(26,830,449)	(113,144,033)
Other Demographic Experience	(10,948,681)	(4,476,348)	(10,750,920)	(996,886)	(10,334,327)	(37,507,162)
Total	\$ (33,340,736)	\$ (9,452,292)	\$ 3,771,717	\$ (121,599,270)	\$ (222,784,917)	\$ (383,405,498)
Unfunded Liability at Valuation Date	\$ 307,711,673	\$ 317,491,361	\$ 340,312,560	\$ 238,281,263	\$ 28,006,113	

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

Valuation Date

- June 30, 2017* A select and ultimate rate structure of an initial rate of 6.50 percent for fiscal year 2018, grading down in annual increments of 0.393 percent to the ultimate rate of 3.75 percent in fiscal years on and after 2025. A flat 5.00 percent tuition and fee increase assumption for all future years.
- June 30, 2018* A select and ultimate rate structure of an initial rate of 6.25 percent for fiscal year 2019, grading down in annual increments of 0.357 percent to the ultimate rate of 3.75 percent in fiscal years on and after 2026. A flat 5.00 percent tuition and fee increase assumption for all future years.
- June 30, 2019* A select and ultimate rate structure of an initial rate of 6.00 percent for fiscal year 2020, grading down in annual increments of 0.417 percent to the ultimate rate of 3.50 percent in fiscal years on and after 2026. A flat 4.75 percent tuition and fee increase assumption for all future years.
- June 30, 2020* A select and ultimate rate structure of an initial rate of 5.75 percent for fiscal year 2021, grading down in annual increments of 0.563 percent to the ultimate rate of 3.50 percent in fiscal years on and after 2025. A flat 4.75 percent tuition and fee increase assumption for all future years.
- June 30, 2021* A select and ultimate rate structure of an initial rate of 5.25 percent for fiscal year 2022, grading down in annual increments of 0.450 percent to the ultimate rate of 3.00 percent in fiscal years on and after 2027. A flat 4.50 percent tuition and fee increase assumption for all future years.
- June 30, 2022* A select and ultimate rate structure of an initial rate of 5.00 percent for fiscal year 2023, grading down in annual increments of 0.333 percent to the ultimate rate of 3.00 percent in fiscal years on and after 2029. A flat 4.25 percent tuition and fee increase assumption for all future years.



Exhibit IV

Sensitivity Testing Results

The actuarial assumptions regarding future increases in tuition costs and fees and the future rate of investment return were provided to us by ISAC. In our opinion, the actuarial assumptions provided to us are reasonable for the purpose of the measurement. However, no one really knows what the future holds with respect to economic conditions and other contingencies. For example, while it is assumed that the assets of the fund will earn 5.00 percent in Fiscal Year 2023 graded down in yearly increments to 3.00 percent on and after Fiscal Year 2029, actual returns are expected to vary from year to year. Therefore, we have projected CIPTP results under the following alternative assumptions for future investment income, tuition increases and fee increases.

1. Tuition increases are 100 basis points higher/lower (5.25%/3.25% compared to 4.25%) in each future year than assumed in the baseline valuation (measurement of soundness).
2. Fee increases are 100 basis points higher/lower (5.25%/3.25% compared to 4.25%) in each future year than assumed in the baseline valuation (measurement of soundness).
3. The investment return is 50 basis points higher/lower (5.50% initial and 3.50% ultimate/4.50% initial and 2.50% ultimate compared to 5.00% initial and 3.00% ultimate) in each future year than assumed in the baseline valuation (measurement of soundness).

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

Exhibit IV

Sensitivity Testing Results

\$ in Millions

	Current Valuation Assumptions	Assumed Tuition 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)	\$639.0	\$639.0	\$639.0	\$639.0	\$639.0	\$639.0	\$639.0
b. PV Future Member Contributions	7.8	7.8	7.8	7.8	7.8	7.7	7.9
c. Total Actuarial Value of Assets (AVA) (2a + 2b)	\$646.8	\$646.8	\$646.8	\$646.8	\$646.8	\$646.7	\$646.9
2. Actuarial Results							
Liabilities							
a. Not yet Matriculating - Tuition and Fees	\$422.1	\$430.8	\$413.9	\$426.8	\$417.7	\$411.9	\$432.7
b. Matriculating - Tuition and Fees	238.1	239.7	236.5	238.9	237.2	235.9	240.4
c. Present Value of Future Administrative Expenses	14.6	14.6	14.6	14.6	14.6	14.4	14.9
d. Total	\$674.8	\$685.1	\$665.0	\$680.3	\$669.5	\$662.2	\$688.0
Unfunded Liability	\$28.0	\$38.3	\$18.2	\$33.5	\$22.7	\$15.5	\$41.1
Funded Ratio	95.9%	94.4%	97.3%	95.1%	96.6%	97.7%	94.0%
Depletion Year	2033	2032	2034	2033	2033	2034	2032
Difference from Current Assumptions							
Unfunded Liability	\$0.0	\$10.3	-\$9.8	\$5.5	-\$5.3	-\$12.5	\$13.1
Funded Ratio	0.0%	-1.5%	1.4%	-0.8%	0.7%	1.8%	-1.9%



SECTION C

FUND ASSETS

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

College Illinois!® Prepaid Tuition Program

Statement of Plan Net Assets

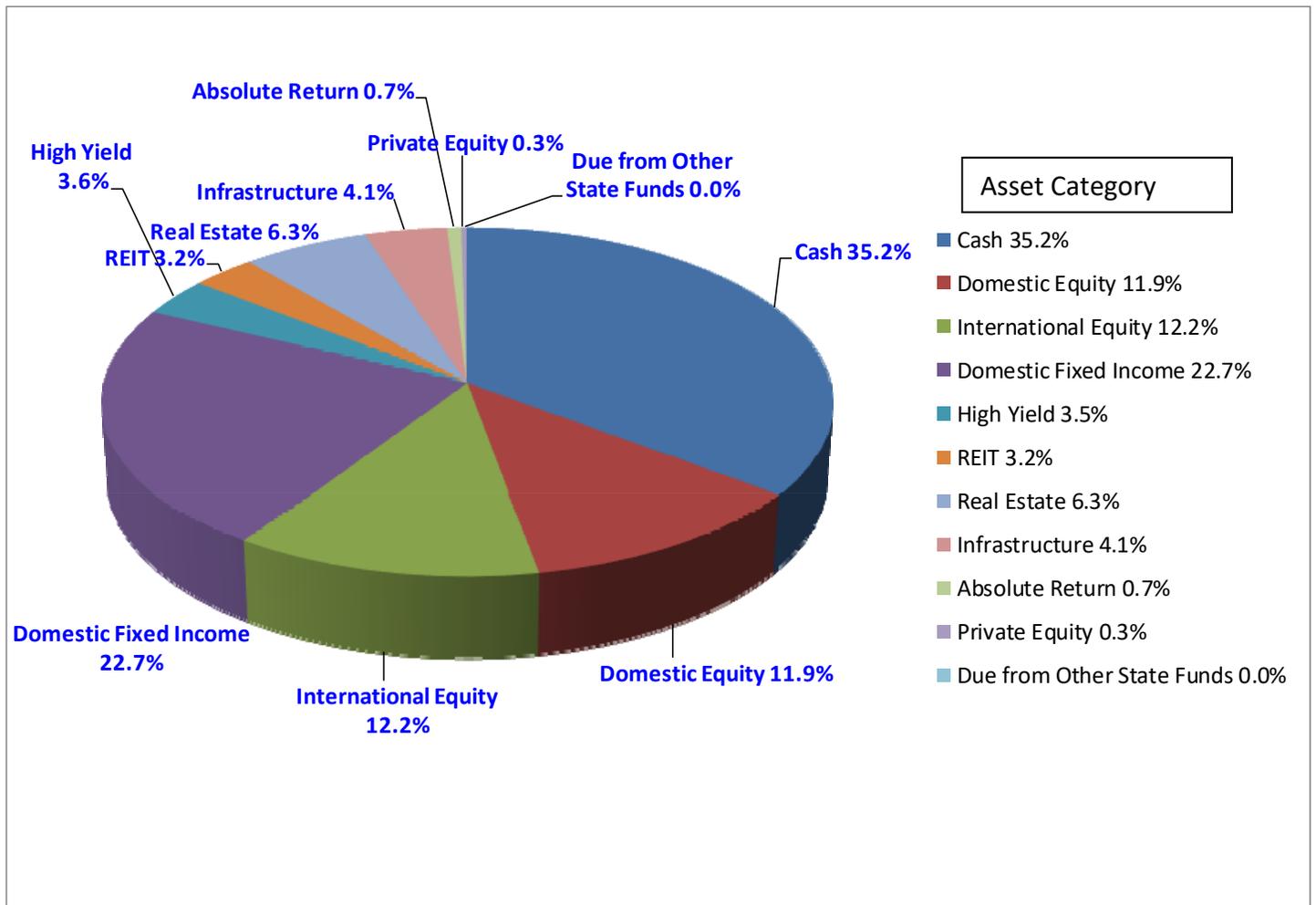
Year ended June 30, 2022

		% of Total
Cash	\$ 225,174,776	35.2%
Investments		
Domestic Equity	\$ 76,148,000	11.9%
International Equity	78,037,193	12.2%
Domestic Fixed Income	144,743,151	22.7%
High Yield	22,540,252	3.5%
REIT	20,189,499	3.2%
Real Estate	40,154,233	6.3%
Infrastructure	25,898,525	4.1%
Absolute Return	4,434,340	0.7%
Private Equity	1,708,717	0.3%
Total Investments	\$ 413,853,909	64.8%
Due from Other State Funds	\$ -	0.0%
Total Assets	\$ 639,028,685	100.0%

Numbers may not add due to rounding.



Allocation of Assets at June 30, 2022



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, 2022

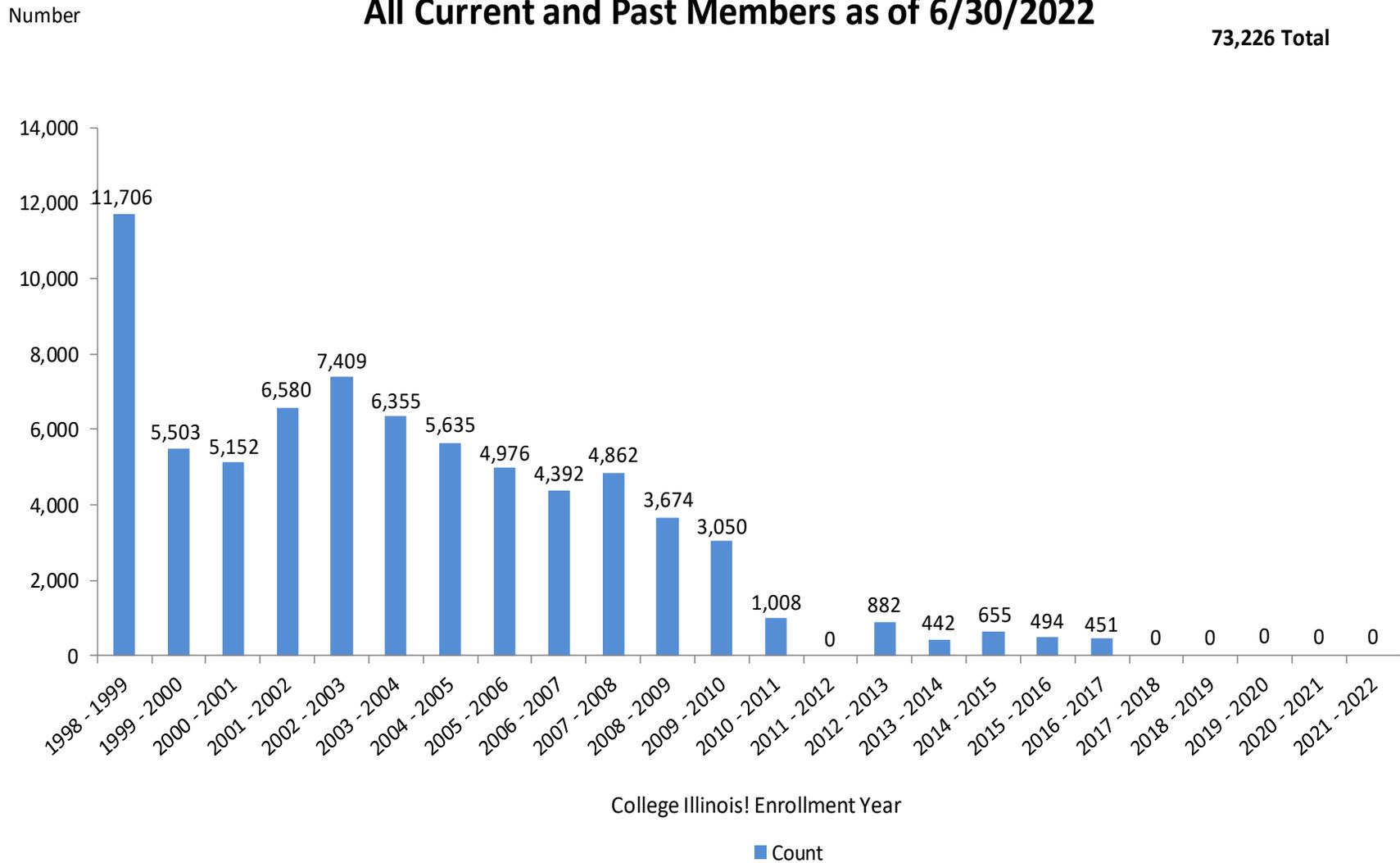
Beginning of Period		7/1/2021
End of Period		6/30/2022
Additions:		
Contributions Received and Contract Fees	\$	4,983,636
Gross investment income		10,971,641
Realized/Unrealized investment gains/(losses)		(59,890,511)
Due from Other State Funds		250,000,000
Total Additions	\$	206,064,766
Deductions:		
Tuition payments	\$	100,770,187
Refunds to Purchasers		21,729,340
Investment expenses & advisory fees		1,177,409
Administrative expenses		2,662,400
Total Deductions	\$	126,339,336
Net increase/(decrease)	\$	79,725,430
Market Value of Assets:		
Beginning of period	\$	559,303,255
End of period (6/30/2022)	\$	639,028,685
Present Value of Future Contributions by Current Contract Holders		7,825,403
Market Value of Total Fund Assets as of June 30, 2022	\$	646,854,088

SECTION D

PARTICIPANT DATA

College Illinois!® Prepaid Tuition Program Contract Counts by Enrollment Year All Current and Past Members as of 6/30/2022

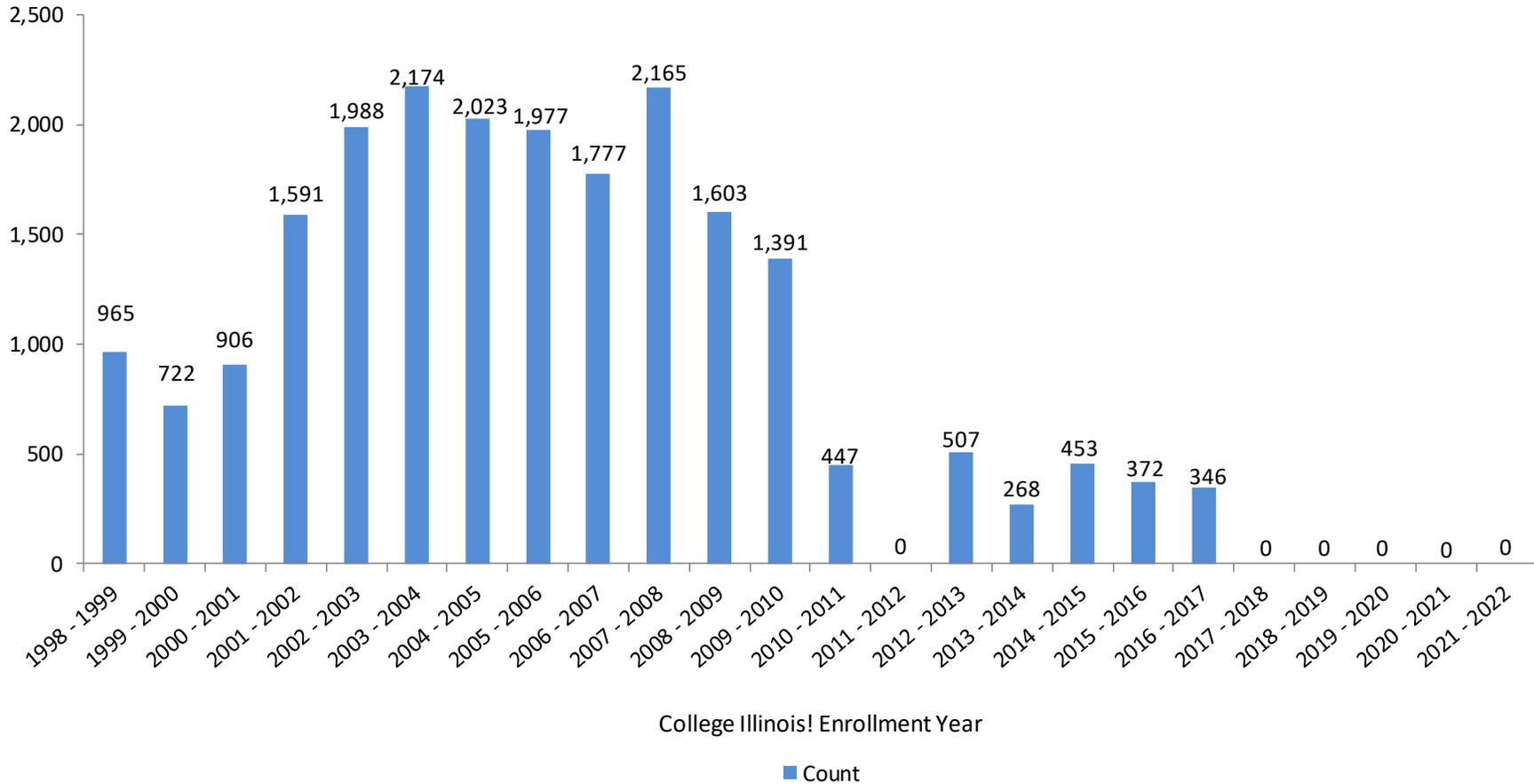
73,226 Total



College Illinois!® Prepaid Tuition Program Contract Counts by Enrollment Year Current Members as of 6/30/2022

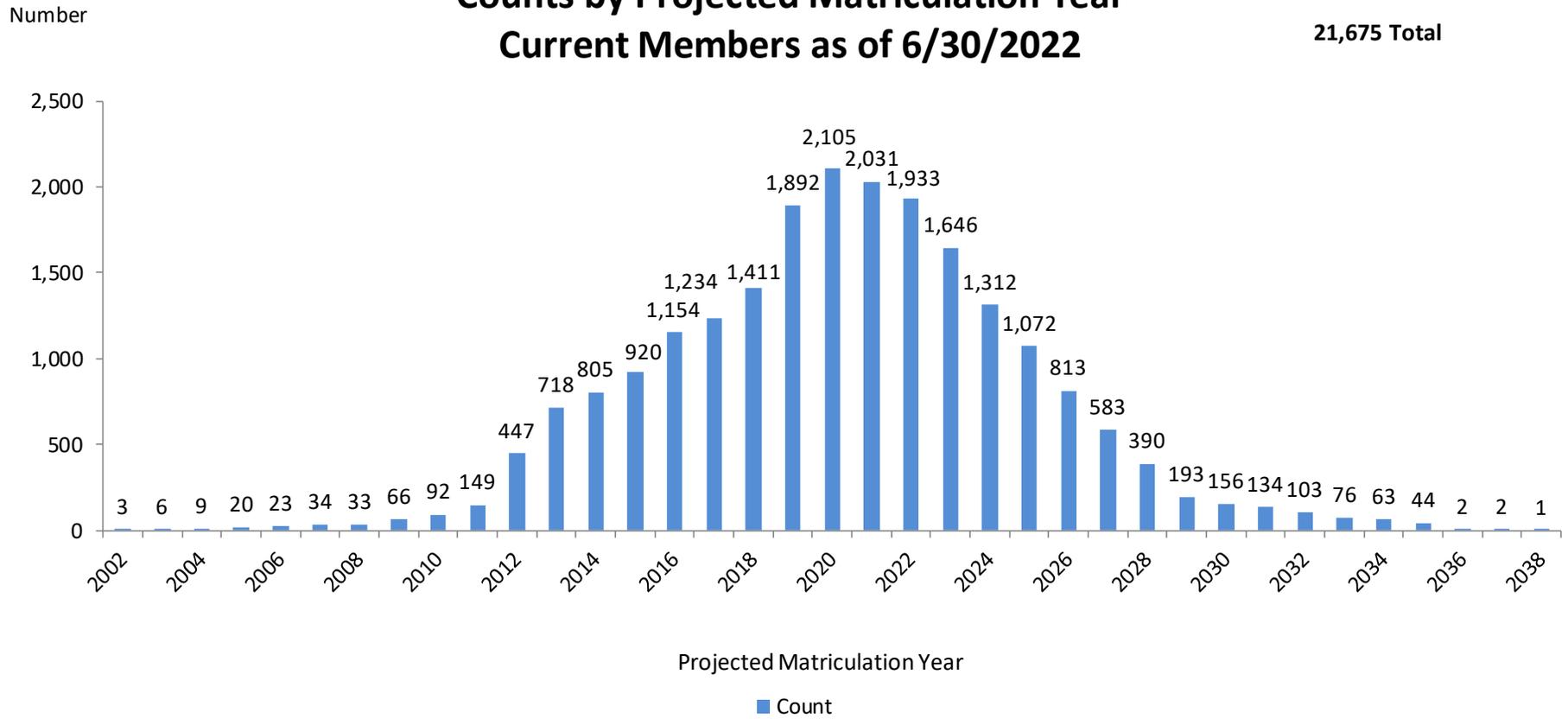
21,675 Total

Number



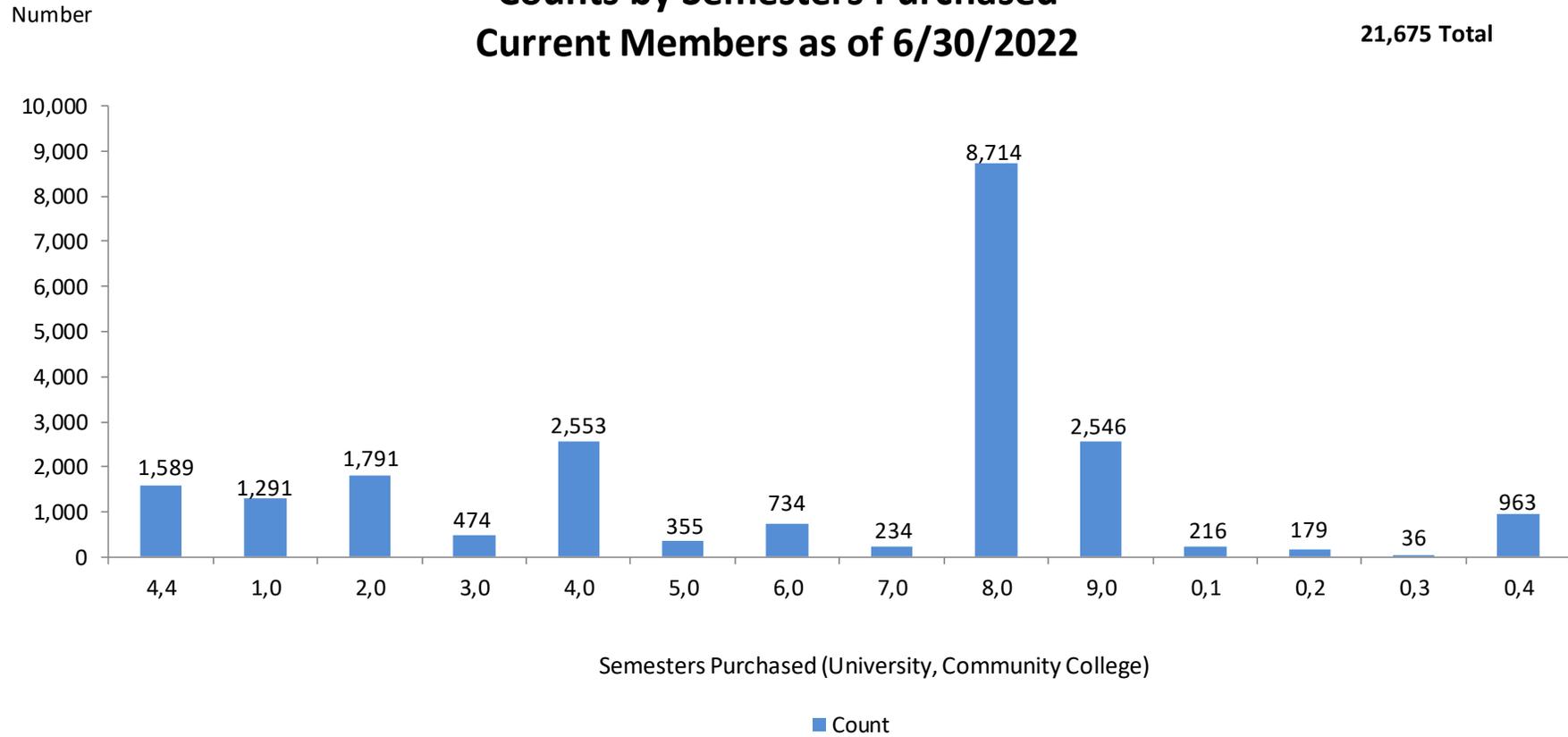
College Illinois!® Prepaid Tuition Program Counts by Projected Matriculation Year Current Members as of 6/30/2022

21,675 Total

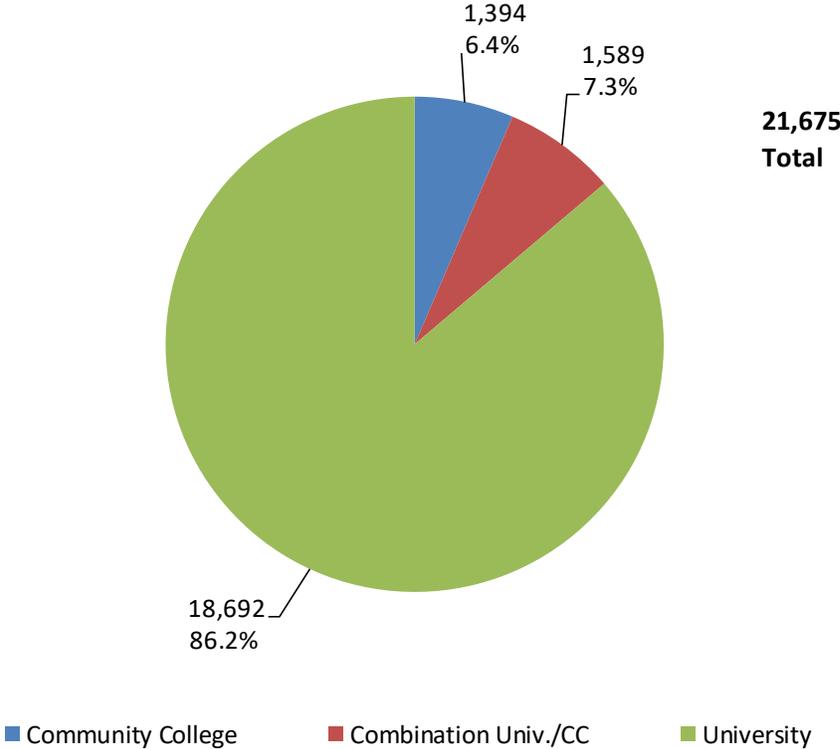


College Illinois!® Prepaid Tuition Program Counts by Semesters Purchased Current Members as of 6/30/2022

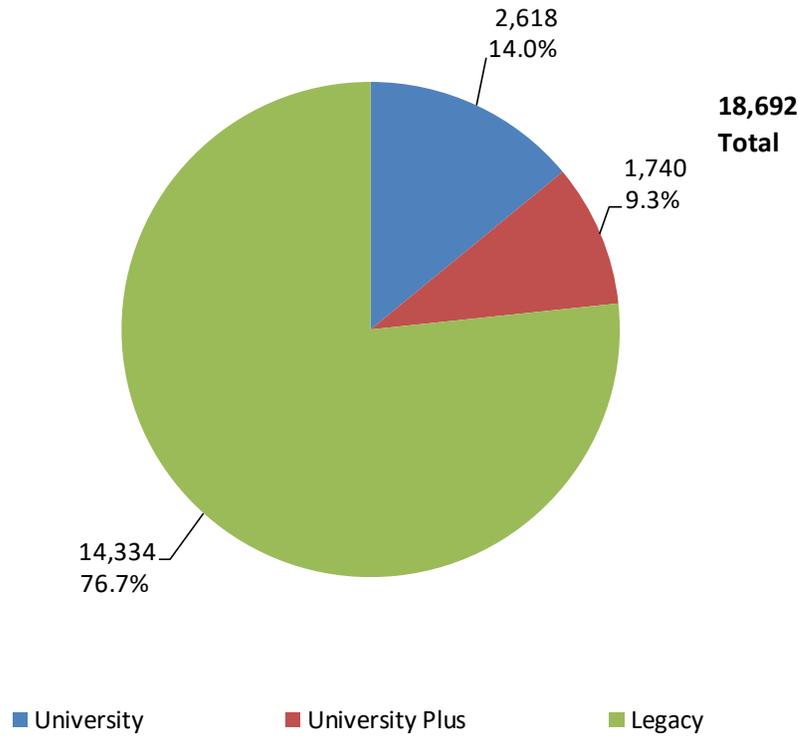
21,675 Total



**College Illinois!® Prepaid Tuition Program
Counts by Contract Type
Current Members as of 6/30/2022**



College Illinois!® Prepaid Tuition Program University Counts by Type Current Members as of 6/30/2022



SECTION E

ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

Actuarial Valuation Methods and Assumptions

Actuarial Valuation Methods

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

Actuarial Valuation Assumptions

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

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

Measurement Date June 30, 2022

Net Investment Return Rate The following select and ultimate rate structure, net of investment expenses and compounded annually, is assumed. Includes inflation assumption of 2.50 percent. (First effective with the actuarial soundness valuation as of June 30, 2022, and prescribed to us by ISAC.)

Net Investment Return Rate

<u>Fiscal Year</u> <u>Ending 6/30</u>	<u>Net Investment Return Rate</u>
2023	5.000%
2024	4.667%
2025	4.333%
2026	4.000%
2027	3.667%
2028	3.333%
2029+	3.000%

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

Actuarial Valuation Methods and Assumptions

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

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy†
2022-2023 Weighted Tuition	\$4,360	\$11,300	\$14,619	\$12,235
2022-2023 Weighted Fees	534	4,073	4,664	4,239
2022-2023 Total WATF	4,894	15,373	19,283	16,474

†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
2022-2023 Total WATF	\$4,894	\$15,373	\$19,283	\$16,474
2021-2022 Total WATF	4,798	15,531	18,686	16,376
WATF Increase	2.00%	-1.02%	3.19%	0.60%

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 2022-2023 WATF. The following bias loads were used to recognize this bias toward enrollment at more expensive schools. No bias load was applied to the “University Plus” beneficiaries due to the separation of UIUC.

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

Actuarial Valuation Methods and Assumptions

Tuition and Fee Increase Assumption

Tuition and Fee Increase Assumption - June 30, 2022, Actuarial Valuation				
Effective Date	Community College	University	University Plus	Legacy
6/30/2022 and Beyond	4.25%	4.25%	4.25%	4.25%

(First effective with the actuarial soundness valuation as of June 30, 2022, and prescribed to us by ISAC.)

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

Truth in Tuition

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

For contract beneficiaries with a Choice 2, Choice 3 or Legacy contract, it was assumed that their tuition will not increase in their second, third and fourth year of school. If they attend school beyond four years, it was assumed that their tuition would increase to the amount charged the year after the year they first enrolled. For contract beneficiaries with a Choice 1 contract, it was assumed that tuition will increase for each year enrolled. The fee portion of the WATF is assumed to increase each year for all contract types.

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

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy
2022-2023 Weighted Tuition	\$4,360	\$11,300	\$14,619	\$12,235
2021-2022 Weighted Tuition	4,281	11,123	14,074	11,914
2020-2021 Weighted Tuition	4,075	11,151	14,106	11,950
2019-2020 Weighted Tuition	4,012	11,025	13,885	11,687
2018-2019 Weighted Tuition	3,942	10,925	13,885	11,687

Rates of Cancellation

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



Actuarial Valuation Methods and Assumptions

Years from Projected College Entrance Year	Cancellation Rate	Years from Projected College Entrance Year	Cancellation Rate
-17	8.0%	-3	1.0%
-16	7.0%	-2	1.0%
-15	6.0%	-1	1.5%
-14	4.0%	0	1.5%
-13	4.0%	1	3.0%
-12	3.0%	2	3.0%
-11	3.0%	3	5.0%
-10	3.0%	4	5.0%
-9	2.0%	5	7.5%
-8	1.5%	6	7.5%
-7	1.5%	7	5.0%
-6	1.5%	8	5.0%
-5	1.5%	9	5.0%
-4	1.0%	10	100.0%

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

Rates of Enrollment

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

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

Actuarial Valuation Methods and Assumptions

Utilization of Benefits

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

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

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

Administrative Expenses

Administrative expenses of the Program are assumed to be paid through a combination of investment earnings and fees assessed on purchasers. Marketing expenses were excluded from the liabilities (present value of future administrative expenses) for current contract beneficiaries as it is assumed those costs should be applicable to future contracts. Administrative expenses are projected to increase by the rate of the inflation assumption of 2.50 percent for two years and then decline at the same rate the present value of benefits declines (combined with a 2.50 percent increase for inflation). (The increase for two years assumption was used in the prior valuation and reset at two years in the current valuation.) The present value of future administrative expenses was determined to be equal to approximately 2.2 percent of the total liabilities.

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

Current and Assumed Contract Beneficiary Expenses				
Fiscal Year	Marketing	Other Administration	Total Administrative Expenses	Marketing % of Total
2022	\$0	\$2,662,400	\$2,662,400	0.00%
2023	0	2,728,960	2,728,960	0.00%
2024	0	2,797,184	2,797,184	0.00%



Actuarial Valuation Methods and Assumptions

Mortality and Disability

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

Liability Adjustment

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

Data Adjustments

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

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

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

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

SECTION F

PLAN PROVISIONS

Plan Provisions

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

A. Type of Contract

Three types of contracts are available for purchase: Choice 1 - Community College, Choice 2 – University and Choice 3 – University Plus. (For contracts sold prior to October 2008, there was one type of University contract, which are currently referred to as Legacy contracts.)

From the College Illinois! Prepaid Tuition Program Student Handbook:

Choice 1 Community College Plan

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

Choice 2 University Plan

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

Choice 3 University Plus Plan

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

B. Benefit

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

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

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

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



Plan Provisions

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

C. Contract Payments

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

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

D. Private or Out-of-State Institutions

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

E. Scholarship

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

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

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

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

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

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



Plan Provisions

- 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, 2022



November 2, 2022

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, 2022**

Dear Mr. Zarnikow:

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

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

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

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

This projection represents one of multiple documents providing actuarial soundness valuation results for the College Illinois!® Prepaid Tuition Program as of June 30, 2022. Additional information regarding the underlying financial and beneficiary data and important additional disclosures are provided in the June 30, 2022 Actuarial Soundness Valuation Report.

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

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

For purposes of this projection, we used the actuarial soundness valuation results from the June 30, 2022 Actuarial Soundness Valuation, and unless noted differently, the same actuarial assumptions and methods as used for the June 30, 2022 Actuarial Soundness Valuation. The projection results are based upon data and information furnished by ISAC, concerning program benefits, financial transactions and beneficiaries of the CIPTP. We reviewed this information for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the Illinois Student Assistance Commission. Further, the data and information provided is through June 30, 2022, and does not reflect subsequent market volatility.

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

The College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period. As of March 25, 2022, ISAC indicated in its Program Update that the CIPTP is permanently closed to new enrollments.

ISAC recently secured state funding that has significantly addressed the College Illinois!® Prepaid Tuition Program unfunded liability. There were two State appropriations from the State's General Revenue Fund on behalf of fiscal year 2022 – one for \$20 million and a second appropriation of \$230 million that are reflected in the CIPTP assets as of June 30, 2022. (There was an additional State appropriation of \$30 million on behalf of fiscal year 2021.)

Under this prescribed Closed Group Run-Off scenario, Trust assets are projected to decline rapidly as tuition benefits are paid, and ultimately be depleted by fiscal year end 2033. Therefore, based on discussions with ISAC, we have incorporated a "select and ultimate" approach to the investment return assumption (and also the related discount rate for the liabilities). Under this "select and ultimate" approach to the investment return assumption, we have assumed that the net investment return and discount rate grade down from an initial rate of 5.00 percent for fiscal year 2023 to an ultimate rate of 3.00 percent in fiscal years on and after 2029 in 0.333 percent annual increments. Implicit in this approach is the assumption that once the Trust is completely exhausted, and ISAC is relying on additional payments from the State of Illinois, the State will be making payments to the College Illinois!® Prepaid Tuition Program from the State Portfolio. (The State Portfolio provides the necessary liquidity to meet the state's daily obligations while investing remaining funds in authorized short/long-term investment opportunities.) Based on input from ISAC, we have assumed that the underlying return on such assets in the State Portfolio is 3.00 percent.

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

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

The Program's ability to honor existing and future Contracts depends primarily upon a combination of three factors: (i) continued Contract sales within projections; (ii) achieving a projected annual net return on Fund investments; and (iii) actual tuition/fee increases being within projected amounts. Favorable or unfavorable experience in one or more of these factors can result in the improvement or decline of the Program's funding.

In the event Contract sales and/or investment returns are lower than expected or if tuition/fees increase beyond the Commission's expectations, the Program may not have sufficient funds to fulfill its obligations. The Program is a moral obligation of the State of Illinois requiring the Governor to request an appropriation from the State General Assembly in the event the Commission and the Governor determine that the Program does not have adequate assets to meet its Contractual obligations in an upcoming fiscal year. While the General Assembly has fulfilled other moral obligations of the State of Illinois in the past, it is not obligated to appropriate, and no assurances can be made that the General Assembly will appropriate sufficient moneys to meet the Program's Contractual obligations.

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

If it is determined by the Commission, with the concurrence of the Governor, that the Program is financially infeasible, the Commission may prospectively discontinue the Program. Pursuant to the State's prepaid tuition statute, if the Program is discontinued, Beneficiaries who are or will enroll at an eligible institution within five years shall be entitled to exercise the complete Benefits specified in the Contract; all other Contract holders shall receive an appropriate refund of all contributions and accrued interest, if any, up to the time the Program is discontinued. Illinois Compiled Statutes, Chapter 110, Section 979/35. In the event of Program termination, the Commission will endeavor to provide refunds to Purchasers to the greatest extent possible; however, the Commission is unable to guarantee Purchasers will receive a full refund.

Federal or state legislative action could diminish or even terminate the Program's tax advantages. There is no assurance that a change will not adversely affect the Program or the value of your interest in the Program. The Commission is not obligated to continue to offer the Program in the event that changes in state or federal laws reduce the Benefits available to Purchasers and Beneficiaries.

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

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

This report reflects the impact of COVID-19 through June 30, 2022. However, this report does not reflect the longer-term and still developing future impact of COVID-19, which is likely to further influence demographic experience and economic expectations. We will continue to monitor these developments and their impact.

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

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

Respectfully submitted,

Gabriel, Roeder, Smith & Company

SIGNED ORIGINAL ON FILE

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

SIGNED ORIGINAL ON FILE

Amy Williams, ASA, MAAA, FCA
Senior Consultant

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SECTION A

BACKGROUND

Background

Purpose of Projection

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

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.

Closed Group Run-Off Scenario

The College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period. As of March 25, 2022, ISAC indicated in its Program Update (<https://www.collegeillinois.org/AboutCollegellinois/program-updates.html>) that the CIPTP is permanently closed to new enrollments.

ISAC recently secured state funding that has significantly addressed the College Illinois!® Prepaid Tuition Program unfunded liability. There were two State appropriations from the State’s General Revenue Fund on behalf of fiscal year 2022 – one for \$20 million and a second appropriation of \$230 million that are reflected in the CIPTP assets as of June 30, 2022.

Although the Program is permanently closed to new enrollments, a “discontinuance” of the CIPTP has not occurred (as defined in the College Illinois!® 529 Prepaid Tuition Program Disclosure Statement and Master Agreement.) Therefore, based on discussions with ISAC, we have performed a projection of the College Illinois!® Prepaid Tuition Program (“Program” or “CIPTP”) under a Closed Group Run-Off scenario assuming no new contract sales after June 30, 2022. Please note that this specific closed group scenario was prescribed to us by ISAC and is being presented for illustrative purposes only.

Projection Assumptions

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

For purposes of this analysis, we used the actuarial soundness valuation results from the June 30, 2022 Actuarial Soundness Valuation, and unless noted differently, the same actuarial assumptions and methods as used for the June 30, 2022 Actuarial Soundness Valuation.

Based on information provided to us by ISAC, changes to the following two actuarial assumptions are effective beginning with the actuarial valuation as of June 30, 2022:

- The “select and ultimate” rate structure for the investment return assumption and related discount rate for liabilities was changed from an initial rate of 5.25 percent for fiscal year 2022 and grading down to the ultimate rate of 3.00 percent for fiscal years 2027 and after to an initial rate of 5.00 percent for fiscal year 2023 (compared to the expected rate of 4.80 percent under the previous assumption) and grading down to the ultimate rate of 3.00 percent for fiscal years 2029 and after.
- The tuition and fee increase assumption was decreased from 4.50 percent for all types of contracts to 4.25 percent for all types of contracts.

SECTION B

PROJECTION RESULTS

Discussion of Scenario Results

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

Under this illustrative closed group scenario, we have assumed that the program continues to operate but with no new contract sales. Under this scenario, future payments from current contract holders, current Trust assets and future investment income are projected to be insufficient by the year 2033 to make the required tuition payments and additional funds will be required to maintain solvency (\$56.4 million for the period 2033 to 2059). The CIPTP funded status is projected to decrease from 95.9 percent in 2022 to 0.0 percent in 2033 (when additional solvency contributions are required) and then remain at about 0.0 percent for the remaining years in the projection period.

Under this prescribed Closed Group Run-Off scenario, the Trust assets are projected to decline rapidly as tuition benefits are paid, and ultimately be depleted by fiscal year end 2033. Therefore, based on discussions with ISAC, we have incorporated a “select and ultimate” approach to the investment return assumption (and also the related discount rate for the liabilities). Under this “select and ultimate” approach to the investment return assumption, we have assumed that the net investment return and discount rate grade down from an initial rate of 5.00 percent for fiscal year 2023 to the ultimate rate of 3.00 percent for fiscal years 2029 and after, in equal yearly increments of 0.333 percent.

We were informed by ISAC that the State appropriation of \$230 million was received on April 26, 2022. As such, we assumed that the \$230 million contribution to the CIPTP would earn approximately a 1.2 percent rate of return as of June 30, 2022.

SECTION C

PROJECTION TABLE

Closed Group Projections

Scenario 1 — Run-Off Scenario

Projection Based on Data as of June 30, 2022

Assumed Net Investment Return and Discount Rates Graded Down from 5.00% to 3.00% in 0.333% Yearly Increments

Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2022, Including Assumed Tuition and Fee Increase Assumption of 4.25%

Zero New Contracts Per Year

Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Assets										Liabilities					Unfunded Liability	Funded Ratio
			Contributions	Due from Other State Fund	Additional Required Solvency Contributions ^a	Tuition Payments, Refunds and Fees	Administrative Expenses	Net Non-Investment Cash Flow	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees and Expenses				
2022			\$ 4,983,636	\$ 250,000,000	\$ -	\$ 122,499,528	\$ 2,662,400	\$ 129,821,708	\$ (50,096,279)	\$ 639,028,685	\$ 7,825,403	\$ 646,854,088	\$ 660,243,323	\$ 14,616,878	\$ 674,860,201	\$ 28,006,113	95.9%		
2023	5.000%	0	2,553,916	-	-	123,165,635	2,728,960	(123,340,678)	22,470,322	538,158,329	5,599,688	543,758,017	567,048,270	12,551,370	579,599,641	35,841,624	93.8%		
2024	4.667%	0	1,841,587	-	-	112,638,917	2,797,184	(113,594,514)	20,615,431	445,179,246	3,976,939	449,156,185	478,273,332	10,275,393	488,548,725	39,392,540	91.9%		
2025	4.333%	0	1,299,653	-	-	103,495,903	2,418,249	(104,614,499)	17,048,490	357,613,237	2,821,760	360,434,997	393,283,976	8,250,572	401,534,547	41,099,550	89.8%		
2026	4.000%	0	863,470	-	-	96,094,613	2,038,238	(97,269,381)	12,378,216	272,722,072	2,054,060	274,776,132	311,017,674	6,501,991	317,519,665	42,743,533	86.5%		
2027	3.667%	0	726,257	-	-	79,477,274	1,652,181	(80,403,198)	8,539,021	200,857,895	1,389,924	202,247,819	241,500,416	5,058,199	246,558,614	44,310,795	82.0%		
2028	3.333%	0	558,496	-	-	59,882,227	1,314,965	(60,638,696)	5,692,903	145,912,103	868,527	146,780,630	188,678,346	3,890,104	192,568,450	45,787,820	76.2%		
2029	3.000%	0	381,078	-	-	50,415,124	1,053,034	(51,087,080)	3,616,720	98,441,743	507,830	98,949,573	143,172,935	2,938,094	146,111,028	47,161,455	67.7%		
2030	3.000%	0	288,980	-	-	39,216,288	819,040	(39,746,348)	2,361,463	61,056,858	229,783	61,286,641	107,667,937	2,195,002	109,862,939	48,576,298	55.8%		
2031	3.000%	0	164,866	-	-	30,902,044	631,327	(31,368,505)	1,364,655	31,053,008	69,355	31,122,363	79,535,826	1,620,125	81,155,951	50,033,588	38.3%		
2032	3.000%	0	70,388	-	-	21,508,956	478,030	(21,916,597)	605,271	9,741,682	-	9,741,682	60,092,694	1,183,582	61,276,276	51,534,594	15.9%		
2033	3.000%	0	-	-	9,364,315	18,880,842	370,201	(9,886,728)	145,045	-	-	-	42,733,513	843,376	43,576,890	43,576,890	0.0%		
2034	3.000%	0	-	-	13,296,045	13,026,204	269,841	-	-	-	-	-	30,795,365	594,819	31,390,184	31,390,184	0.0%		
2035	3.000%	0	-	-	10,056,276	9,856,957	199,319	-	-	-	-	-	21,715,508	410,376	22,125,884	22,125,884	0.0%		
2036	3.000%	0	-	-	7,539,898	7,395,833	144,065	-	-	-	-	-	14,861,022	276,478	15,137,500	15,137,500	0.0%		
2037	3.000%	0	-	-	5,356,902	5,255,847	101,055	-	-	-	-	-	9,972,751	182,212	10,154,964	10,154,964	0.0%		
2038	3.000%	0	-	-	3,776,390	3,706,879	69,510	-	-	-	-	-	6,509,862	117,133	6,626,996	6,626,996	0.0%		
2039	3.000%	0	-	-	2,635,122	2,588,614	46,508	-	-	-	-	-	4,078,002	73,446	4,151,449	4,151,449	0.0%		
2040	3.000%	0	-	-	1,665,163	1,635,300	29,863	-	-	-	-	-	2,540,694	45,342	2,586,036	2,586,036	0.0%		
2041	3.000%	0	-	-	1,035,108	1,016,037	19,070	-	-	-	-	-	1,585,749	27,348	1,613,098	1,613,098	0.0%		
2042	3.000%	0	-	-	694,315	682,115	12,200	-	-	-	-	-	941,050	15,787	956,837	956,837	0.0%		
2043	3.000%	0	-	-	432,189	424,768	7,421	-	-	-	-	-	538,189	8,729	546,918	546,918	0.0%		
2044	3.000%	0	-	-	258,266	253,916	4,350	-	-	-	-	-	296,638	4,576	301,214	301,214	0.0%		
2045	3.000%	0	-	-	151,326	148,868	2,458	-	-	-	-	-	154,453	2,219	156,672	156,672	0.0%		
2046	3.000%	0	-	-	101,812	100,500	1,312	-	-	-	-	-	57,090	954	58,044	58,044	0.0%		
2047	3.000%	0	-	-	29,303	28,806	497	-	-	-	-	-	29,568	478	30,046	30,046	0.0%		
2048	3.000%	0	-	-	16,389	16,125	264	-	-	-	-	-	14,090	225	14,315	14,315	0.0%		
2049	3.000%	0	-	-	8,095	7,966	129	-	-	-	-	-	6,428	101	6,529	6,529	0.0%		
2050	3.000%	0	-	-	3,754	3,694	60	-	-	-	-	-	2,872	43	2,915	2,915	0.0%		
2051	3.000%	0	-	-	1,799	1,771	28	-	-	-	-	-	1,160	16	1,177	1,177	0.0%		
2052	3.000%	0	-	-	807	796	11	-	-	-	-	-	387	5	393	393	0.0%		
2053	3.000%	0	-	-	309	305	4	-	-	-	-	-	90	1	91	91	0.0%		
2054	3.000%	0	-	-	61	60	1	-	-	-	-	-	31	0	32	32	0.0%		
2055	3.000%	0	-	-	25	25	0	-	-	-	-	-	7	0	7	7	0.0%		
2056	3.000%	0	-	-	7	7	0	-	-	-	-	-	-	-	-	-	0.0%		
2057	3.000%	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%		
2058	3.000%	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%		
2059	3.000%	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%		

^a Additional contributions in the amount of \$56,423,676 are needed over the years 2033 through 2056 to pay all benefits due.

SECTION D

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Valuation Methods

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

Actuarial Valuation Assumptions

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

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

Measurement Date June 30, 2022

Net Investment Return Rate

The following select and ultimate rate structure, net of investment expenses and compounded annually, is assumed. Includes inflation assumption of 2.50 percent. (First effective with the actuarial soundness valuation as of June 30, 2022, and prescribed to us by ISAC.)

Net Investment Return Rate

<u>Fiscal Year</u> <u>Ending 6/30</u>	<u>Net Investment Return Rate</u>
2023	5.000%
2024	4.667%
2025	4.333%
2026	4.000%
2027	3.667%
2028	3.333%
2029+	3.000%

Based on discussions with ISAC, and considering the current asset allocation, current and future liquidity requirements and the fact that the program enrollment is on hold, we believe the current select and ultimate net investment rate of return assumption is reasonable, and meets 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†
2022-2023 Weighted Tuition	\$4,360	\$11,300	\$14,619	\$12,235
2022-2023 Weighted Fees	534	4,073	4,664	4,239
2022-2023 Total WATF	4,894	15,373	19,283	16,474

†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
2022-2023 Total WATF	\$4,894	\$15,373	\$19,283	\$16,474
2021-2022 Total WATF	4,798	15,531	18,686	16,376
WATF Increase	2.00%	-1.02%	3.19%	0.60%

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 2022-2023 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, 2022, Actuarial Valuation				
Effective Date	Community College	University	University Plus	Legacy
6/30/2022 and Beyond	4.25%	4.25%	4.25%	4.25%

(First effective with the actuarial soundness valuation as of June 30, 2022, and prescribed to us by ISAC.)

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

Truth in Tuition

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

For contract beneficiaries with a Choice 2, Choice 3 or Legacy contract, it was assumed that their tuition will not increase in their second, third and fourth year of school. If they attend school beyond four years, it was assumed that their tuition would increase to the amount charged the year after the year they first enrolled. For contract beneficiaries with a Choice 1 contract, it was assumed that tuition will increase for each year enrolled. The fee portion of the WATF is assumed to increase each year for all contract types.

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

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy
2022-2023 Weighted Tuition	\$4,360	\$11,300	\$14,619	\$12,235
2021-2022 Weighted Tuition	4,281	11,123	14,074	11,914
2020-2021 Weighted Tuition	4,075	11,151	14,106	11,950
2019-2020 Weighted Tuition	4,012	11,025	13,885	11,687
2018-2019 Weighted Tuition	3,942	10,925	13,885	11,687

Rates of Cancellation

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

Years from Projected College Entrance Year	Cancellation Rate	Years from Projected College Entrance Year	Cancellation Rate
-17	8.0%	-3	1.0%
-16	7.0%	-2	1.0%
-15	6.0%	-1	1.5%
-14	4.0%	0	1.5%
-13	4.0%	1	3.0%
-12	3.0%	2	3.0%
-11	3.0%	3	5.0%
-10	3.0%	4	5.0%
-9	2.0%	5	7.5%
-8	1.5%	6	7.5%
-7	1.5%	7	5.0%
-6	1.5%	8	5.0%
-5	1.5%	9	5.0%
-4	1.0%	10	100.0%

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

Rates of Enrollment

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

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

Utilization of Benefits

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

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

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

Administrative Expenses

Administrative expenses of the Program are assumed to be paid through a combination of investment earnings and fees assessed on purchasers. Marketing expenses were excluded from the liabilities (present value of future administrative expenses) for current contract beneficiaries as it is assumed those costs should be applicable to future contracts. Administrative expenses are projected to increase by the rate of the inflation assumption of 2.50 percent for two years and then decline at the same rate the present value of benefits declines (combined with a 2.50 percent increase for inflation). (The increase for two years assumption was used in the prior valuation and reset at two years in the current valuation.) The present value of future administrative expenses was determined to be equal to approximately 2.2 percent of the total liabilities.

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

Current and Assumed Contract Beneficiary Expenses				
Fiscal Year	Total			
	Marketing	Other Administration	Administrative Expenses	Marketing % of Total
2022	\$0	\$2,662,400	\$2,662,400	0.00%
2023	0	2,728,960	2,728,960	0.00%
2024	0	2,797,184	2,797,184	0.00%

Mortality and Disability

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

Liability Adjustment

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

Data Adjustments

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

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

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

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

SECTION E

PLAN PROVISIONS

Plan Provisions

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

A. Type of Contract

Three types of contracts are available for purchase: Choice 1 - Community College, Choice 2 – University and Choice 3 – University Plus. (For contracts sold prior to October 2008, there was one type of University contract, which are currently referred to as Legacy contracts.)

From the College Illinois! Prepaid Tuition Program Student Handbook:

Choice 1 Community College Plan

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

Choice 2 University Plan

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

Choice 3 University Plus Plan

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

B. Benefit

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

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

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

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

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.

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

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

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

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

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Student Assistance Commission's basic financial statements, and have issued our report thereon dated March 21, 2023. That report contains an emphasis of matter paragraph which states "as discussed in Note 14, the Illinois Prepaid Tuition Program Fund has a deficit as of June 30, 2022 of \$15 million. The amount of the fund deficit is highly dependent on the actuarial assumptions used to calculate the present value of the future tuition benefits obligation." Our opinions are not modified with respect to this matter.

Report on Internal Control Over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Student Assistance Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

Crowe LLP

Oak Brook, Illinois
March 21, 2023

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
June 30, 2022
PRIOR YEAR FINDING NOT REPEATED

A. FINDING 2021-001 – LACK OF CENSUS DATA RECONCILIATIONS

In the prior year audit, the Illinois Student Assistance Commission (Commission) did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

During the current audit, it was noted the Commission has worked with SERS and completed an initial full reconciliation and implemented an annual reconciliation process for census data used in actuarial evaluations after FY21. No adjustments to Commission records were required based on the reconciliation. (Finding Code No. 2021-001, 2020-002)