



Fiscal Year 2015
Annual Report



Illinois Student Assistance Commission



**Illinois
Student
Assistance
Commission**



February 26, 2016

The Honorable Bruce Rauner, Governor of the State of Illinois
The Honorable John Cullerton, President of the Illinois Senate
The Honorable Michael J. Madigan, Speaker of the Illinois House of Representatives
The Honorable Frank Mautino, Auditor General of the State of Illinois
Members of the Illinois Board of Higher Education
College Illinois! Contract Holders and Beneficiaries
Citizens of Illinois

The Illinois Student Assistance Commission (ISAC) is pleased to submit the Fiscal Year 2015 Annual Report for the College Illinois!® 529 Prepaid Tuition Program, required by the Illinois Prepaid Tuition Act 110 ILCS 979/30(d) to be submitted by March 1, 2016. In addition to this letter and summary, the complete report consists of the fiscal year 2015 audited financial statements including the actuarial soundness and valuation report.

Revenues from all contract sales are deposited into the Illinois Prepaid Tuition Trust Fund and are invested to fund current and future program obligations. By Illinois statute, assets held by the Fund are required to remain segregated from state General Fund accounts. No amounts held in the Fund may be transferred to or allocated by the Commission, the State Treasurer, or the State Comptroller to any other fund, nor can the Governor authorize any transfer or allocation while contracts remain outstanding.

In addition, the program has the backing of the moral obligation of the state, requiring the Governor to request an appropriation from the General Assembly if 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 the plan were ever to run short of funds at some future date.

As certified to the Governor on December 18, 2015, the College Illinois! 529 Prepaid Tuition Program will not require any state financial support during Fiscal Year 2017. If the assumptions contained in the accompanying Actuarial Soundness Valuation Report are met, and even assuming no additional contracts are sold, the Fund has resources to make payments through 2024. Since inception, the program has never missed a tuition or fee payment, and continues to meet all of its financial obligations on time.

Actuarial Valuation and Soundness Report

As required annually, an Actuarial Valuation and Soundness Report was prepared by Gabriel Roeder Smith & Company. The report notes that the College Illinois! 529 Prepaid Tuition Program ended Fiscal 2015 with actuarial assets of approximately \$1.1 billion and liabilities of \$1.4 billion, equating to an unfunded liability of approximately \$292 million and a funded ratio of 78.8 percent. Compared to Fiscal 2014, this represents a reduction in the unfunded liability of \$36 million and a 0.7 percentage point improvement in the funded ratio (from 78.1%).

While the unfunded liability warrants continued vigilance, we are encouraged by the trend in moderating tuition inflation. Lower-than-expected tuition inflation provided a benefit to the funded status of \$47 million in FY15, \$45 million in FY14 and \$66 million in FY13.

Information in the actuarial report necessarily represents a point in time and predicts the future as of June 30, 2015. Going forward, many circumstances, such as investment performance, tuition and fee inflation and contract purchases, can significantly change future actuarial results, either in a positive or negative way. It is to be expected that for any given fiscal year, actual plan performance will vary from assumptions and that the funded status of the plan will fluctuate.

The funded ratio is based on a "closed-group business" model that assumes no future contract sales. The program is ongoing however, and contract sales can provide a stabilizing force. The FY16 enrollment period opened on November 2, 2015 and is scheduled to close on May 31, 2016 with extended enrollment to August 31, 2016 for newborns.

Investment Performance

The College Illinois! 529 Prepaid Tuition Program is administered by the Illinois Student Assistance Commission, with advice and counsel from the Investment Advisory Panel as stipulated in the Prepaid Tuition Act. Additional advice and monitoring is provided by the Investment Committee (subcommittee of the Commission) and professional investment consultant, Callan Associates. Program moneys are held in the segregated Illinois Prepaid Tuition Trust Fund (the Fund) and prudently invested with the objective of obtaining the best possible return on investments consistent with the actuarial soundness of the program. Fund assets are invested in accordance with a formal Investment Policy, which is adopted annually by the Commission. The investment program is implemented by internal investment staff, with all investments being professionally managed by external investment management firms.

Based on consultant reports, the Fund returned 3.49% for the fiscal year ended 6/30/15 and 7.45% for the trailing 3-year period. FY15 performance moderated compared to the prior year as equity markets cooled. However, the Program fared better than average as compared with the public plan peer group. While the one-year returns lagged our 7% actuarial return assumption, longer-term returns exceeded this assumption but lagged the public fund peer group. The Fund is well diversified across numerous asset classes, and while this allocation helps to mitigate the risk of losses associated with declines in the equity markets, it attenuates participation in equity rallies. ISAC has been gradually increasing allocations to traditional stocks and bonds as liquidity and investment contract provisions allow.

The following table provides a summary of investment performance. Additional detail is provided in the appendix.

Investment Returns and Peer Group* Rankings

| Periods Ending | 1 year | | 3 years | | 5 years | |
|-------------------------------|--------|--------|---------|--------|-------------|--------|
| | Return | % Rank | Return | % Rank | Return | % Rank |
| June 30, 2015 | | | | | | |
| College Illinois gross** | 3.64% | 38% | 7.58% | 88% | 8.24% | 89% |
| College Illinois net** | 3.49% | 42% | 7.45% | 90% | Unavailable | |
| Policy Benchmark | 4.05% | 22% | 10.16% | 53% | 10.45% | 49% |
| Public Fund Peer Group | 3.21% | 50% | 10.30% | 50% | 10.42% | 50% |
| Number of Funds in Peer Group | | 312 | | 290 | | 270 |

Source: Program Investment Consultant, Callan Associates

*Public peer group represents public funds in the Consultant database, including pension plans.

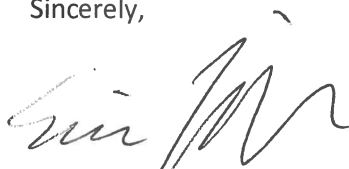
**College Illinois performance shown as gross and net of separate account investment management fees and net of all other investment fees. Gross performance is the relevant comparable for the Public Fund Peer Group.

Conclusion

The College Illinois! 529 Prepaid Tuition Program has total actuarial assets near \$1.1 billion and approximately 44,000 active contract holders. Through June 30, 2015, the program has paid over \$725 million in tuition and fees on behalf of more than 30,000 beneficiaries. Administering a program of this size is a significant responsibility--a role ISAC takes seriously. ISAC anticipates that a combination of sufficient contract sales and meeting the program's other actuarial assumptions will play an integral part in allowing the program to achieve 100% funding in years to come.

The state, taxpayers and especially program participants, can be proud of the important role the College Illinois! 529 Prepaid Tuition Program continues to play in making postsecondary education more affordable for students and their families.

Sincerely,



Eric Zarnikow
Executive Director

Illinois Student Assistance Commission

Commissioners of the Illinois Student Assistance Commission

Kym M. Hubbard, Chair (term ended June 30, 2015)

Miguel del Valle, Vice Chairman

Selamawi Asgedom

Mark Donovan

Kendall A. Griffin

Kevin B. Huber

Verett Ann Mims

Paul Roberts

Kim Savage

College Illinois!® Investment Advisory Panel

Jeanna Cullins

Paul Hagy

Karen Kissel

Louis Paster

Patrick E. Rea

Janice Reedus

Joy Winterfield

PROGRAM OVERVIEW

The College Illinois!® 529 Prepaid Tuition Program is administered by the Illinois Student Assistance Commission, the state agency working to help make college accessible and affordable for Illinois students since 1957. As a qualified tuition program under Section 529 of the Internal Revenue Code, College Illinois! provides individuals with an opportunity to lock in contract rates for future tuition and mandatory fees, protecting against tuition inflation. The Program was enacted by the General Assembly and then signed into law by the Governor in November 1997.

The College Illinois! 529 Prepaid Tuition Program offers plans for public university semesters, community college semesters and a combined plan that includes two years at a community college and two years at a public university. Plans can be purchased one semester at a time or up to a maximum of nine semesters for any one future student. The value of plan benefits may also be used at private colleges within Illinois and at public universities and private colleges and universities across the country as well.

The plan must be in place for three years and paid in full before the student can use it. Beneficiaries of a plan do not have to choose the school they will attend until time of college enrollment. Plans can be purchased with a single lump-sum payment or in installments. College Illinois! 529 Prepaid Tuition Program benefits cover undergraduate tuition and mandatory fees, but do not cover other expenses such as room and board, books and transportation.

Benefits provided by the College Illinois! 529 Prepaid Tuition Program are entirely exempt from both federal and state income tax, when used for qualified educational expenses. In addition, annual contributions up to a maximum of \$10,000 per individual or \$20,000 per couple filing jointly are deductible from Illinois taxable income.

A College Illinois! 529 Prepaid Tuition Program contract can protect purchasers against tuition and fee increases. Thousands of Illinois families have enjoyed the benefits of this, flexible and tax-advantaged program, allowing it to be the cornerstone of their college funding plan.

Appendix A

ISAC Asset Class Performance and Peer Rankings* for periods ending on June 30, 2015

| | one year | | three years | | five years | |
|-------------------------------|----------|--------|-------------|--------|------------|--------|
| | Return | % Rank | Return | % Rank | Return | % Rank |
| ISAC- Domestic Equity | 7.17% | 54% | 17.31% | 57% | 17.21% | 45% |
| Russell 3000 index | 7.29% | 54% | 17.73% | 49% | 17.54% | 34% |
| Median asset class returns | 7.85% | 50% | 17.59% | 50% | 17.14% | 50% |
| ISAC- International Equity | -1.56% | 48% | 12.97% | 45% | 10.99% | 39% |
| MSCI EAFE index | -4.22% | 73% | 11.97% | 66% | 9.54% | 70% |
| Median asset class returns | -1.66% | 50% | 12.62% | 50% | 10.47% | 50% |
| ISAC- Fixed Income | 1.92% | 70% | 2.17% | 71% | 4.10% | 41% |
| Barclays US Aggregate Index | 1.86% | 74% | 1.83% | 93% | 3.35% | 94% |
| Median asset class returns | 2.12% | 50% | 2.46% | 50% | 3.97% | 50% |
| ISAC- High Yield | 2.98% | 1% | 6.34% | 62% | 9.29% | 13% |
| MLHY | -0.54% | 57% | 6.80% | 35% | 8.38% | 39% |
| Median asset class returns | -0.29% | 50% | 6.61% | 50% | 8.31% | 50% |
| ISAC- Real Estate | 6.27% | 95% | 6.88% | 93% | n/a | n/a |
| Median asset class returns | 13.63% | 50% | 12.73% | 50% | 13.65% | 50% |
| ISAC- REIT | -1.62% | 100% | 5.40% | 99% | n/a | n/a |
| MSCI REIT Index | 3.93% | 91% | 8.71% | 81% | 14.29% | 87% |
| Median asset class returns | 5.49% | 50% | 9.75% | 50% | 15.08% | 50% |
| ISAC- Infrastructure | 7.98% | 89% | 8.09% | 89% | 7.95% | 92% |
| Median asset class returns | 13.63% | 50% | 12.73% | 50% | 13.65% | 50% |
| ISAC- Absolute Return | 1.28% | 80% | 2.78% | 97% | 2.99% | 95% |
| Median asset class returns | 3.57% | 50% | 7.08% | 50% | 5.61% | 50% |
| ISAC- Private Equity | 9.09% | 11% | -5.16% | 55% | -0.15% | 49% |
| Median asset class returns | -11.53% | 50% | -0.12% | 50% | -0.21% | 50% |
| College Illinois gross** | 3.64% | 38% | 7.58% | 88% | 8.24% | 89% |
| College Illinois net** | 3.49% | 42% | 7.45% | 90% | n/a | n/a |
| Policy Benchmark | 4.05% | 22% | 10.16% | 53% | 10.45% | 49% |
| Public Fund Peer Group | 3.21% | 50% | 10.30% | 50% | 10.42% | 50% |
| Number of Funds in Peer Group | | 312 | | 290 | | 270 |

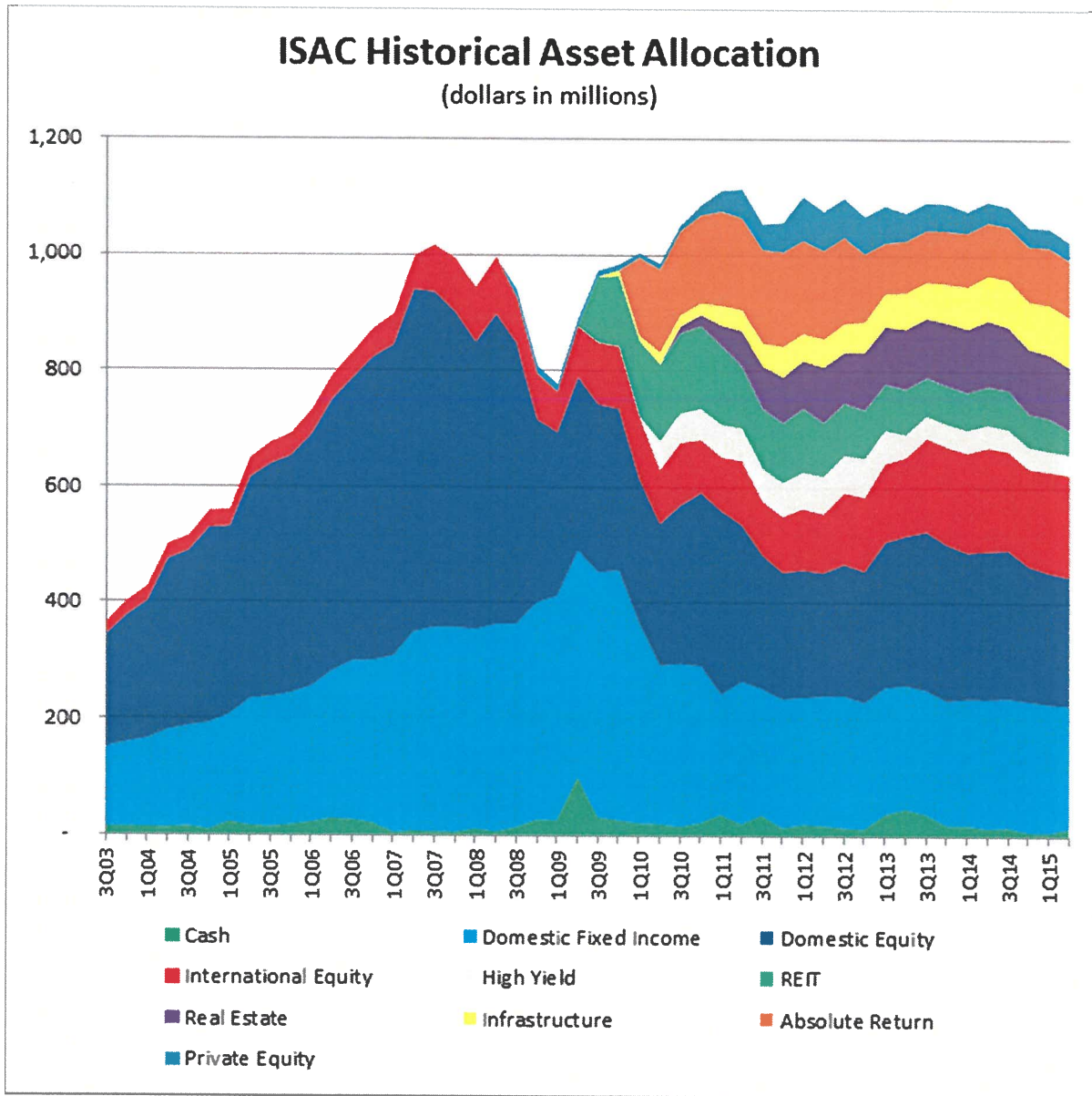
Source: Program Investment Consultant, Callan Associates

*Public peer group represents public funds in the Consultant database, including pensions plans.

**College Illinois performance shown as gross and net of separate account investment management fees and net of all other investment fees.

Gross performance is the relevant comparable for the Public Fund Peer Group.

Appendix B



Appendix C
Utilization of Benefits
Fiscal Years 1998 through 2015

| Illinois Public 4-Year Institutions | Tuition and Fees | Beneficiaries * |
|--|-------------------------|------------------------|
| University of Illinois Urbana Champaign | \$194,325,564 | 5,416 |
| Illinois State University | \$55,881,186 | 2,503 |
| University of Illinois Chicago | \$30,655,964 | 1,265 |
| Northern Illinois University | \$23,022,955 | 1,195 |
| Southern Illinois University | \$15,377,033 | 817 |
| Eastern Illinois University | \$11,688,208 | 658 |
| Western Illinois University | \$9,791,868 | 578 |
| Southern Illinois University Edwardsville | \$7,861,792 | 514 |
| University of Illinois Springfield | \$2,656,312 | 199 |
| Northeastern Illinois University | \$1,979,501 | 173 |
| Governors State University | \$429,654 | 51 |
| Chicago State University | \$256,432 | 18 |
| | \$353,926,469 | 13,387 |

*Students (beneficiaries) could be counted more than once if they attended more than one Illinois Public 4-year institution.

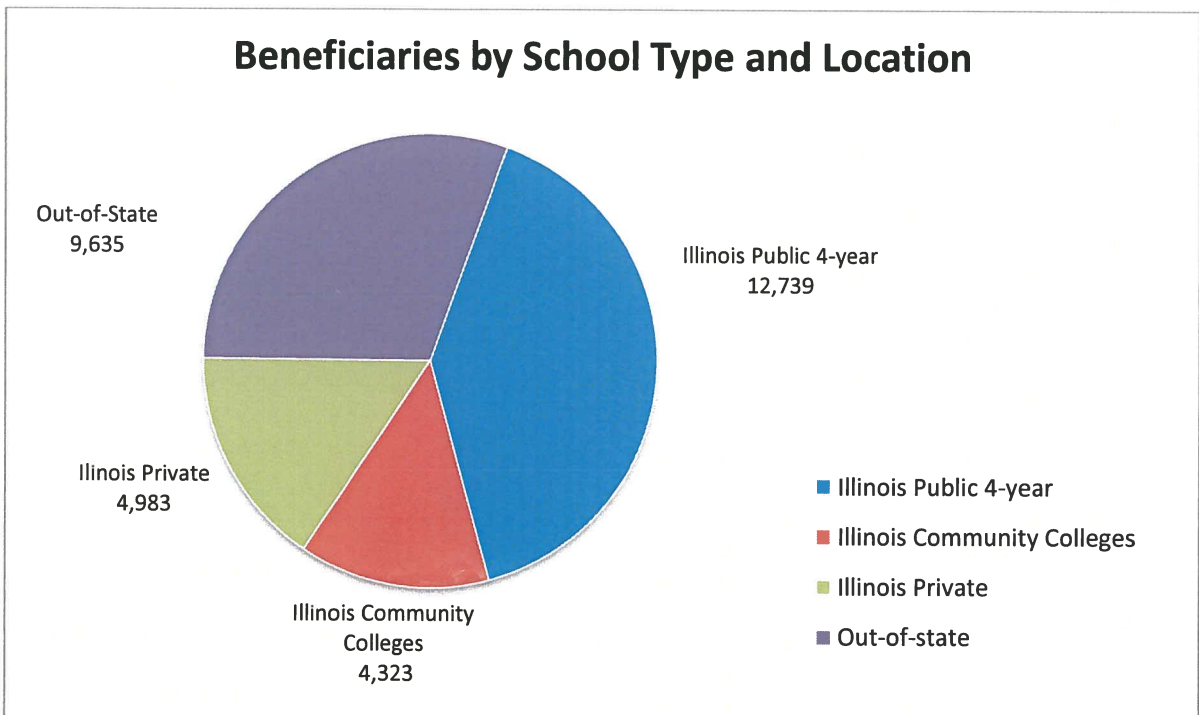
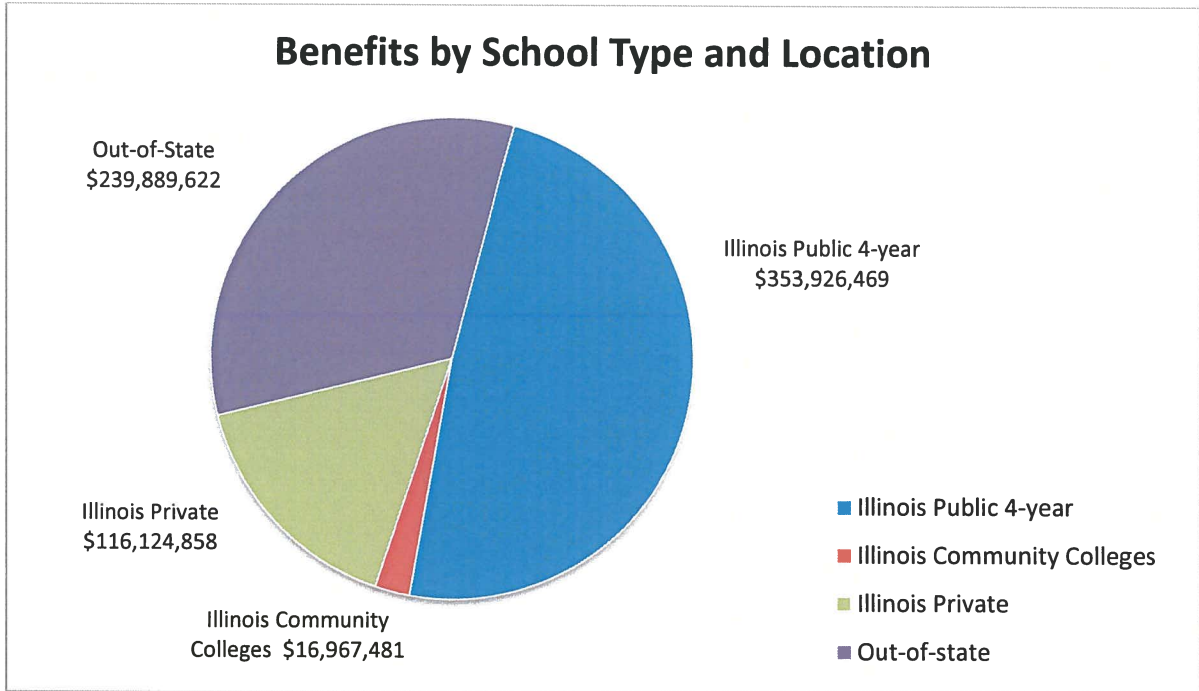
| Top 10 Community Colleges | Tuition and Fees | Beneficiaries |
|----------------------------------|-------------------------|----------------------|
| College of DuPage | \$2,784,973 | 654 |
| Harper College | \$1,531,187 | 377 |
| Moraine Valley Community College | \$1,266,747 | 283 |
| Parkland College | \$1,229,575 | 334 |
| Lincoln Land Community College | \$1,127,452 | 324 |
| Joliet Junior College | \$1,102,445 | 301 |
| College of Lake County | \$919,507 | 254 |
| Illinois Central College | \$686,187 | 181 |
| Heartland Community College | \$623,589 | 185 |
| Oakton Community College | \$552,166 | 191 |
| | \$11,823,828 | 3,084 |

Appendix C
Utilization of Benefits
Fiscal Years 1998 through 2015

| Top 10 Illinois Private Institutions | Tuition and Fees | Beneficiaries |
|---|-------------------------|----------------------|
| DePaul University | \$15,566,253 | 614 |
| Loyola University – Chicago | \$9,889,429 | 393 |
| Bradley University | \$9,496,309 | 380 |
| Columbia College | \$7,487,782 | 335 |
| Illinois Wesleyan University | \$7,067,151 | 257 |
| Augustana College | \$6,146,952 | 225 |
| Northwestern University | \$5,507,578 | 181 |
| North Central College | \$4,186,821 | 184 |
| Elmhurst College | \$3,421,665 | 154 |
| Lewis University | \$3,144,175 | 157 |
| | \$71,914,115 | 2,880 |

| Top 10 Out-of-State Institutions | Tuition and Fees | Beneficiaries |
|---|-------------------------|----------------------|
| University of Iowa | \$18,834,075 | 678 |
| Indiana University Bloomington | \$14,838,737 | 535 |
| Purdue University | \$10,128,177 | 360 |
| University of Missouri Columbia | \$8,282,359 | 352 |
| Marquette University | \$8,188,956 | 296 |
| University of Wisconsin Madison | \$7,679,754 | 266 |
| Saint Louis University | \$7,150,588 | 246 |
| Iowa State University | \$5,092,692 | 215 |
| University of Notre Dame | \$4,360,642 | 141 |
| Michigan State University | \$3,542,737 | 137 |
| | \$88,098,717 | 3,226 |

Appendix D
Utilization of Benefits by Location
Fiscal Years 1998 through 2015



**State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program
Financial Audit
For the Year Ended June 30, 2015**

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**State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program**

Agency Officials

Executive Director

Eric Zarnikow

Chief Financial Officer

Shoba Nandhan

Chief Investment Officer

Kent Custer

General Counsel

Karen Salas

Agency offices are located at:

1755 Lake Cook Road
Deerfield, IL 60015-5209

500 West Monroe
Springfield, IL 62704

100 West Randolph
Suite 3-200
Chicago, IL 60601

**State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program**

Financial Statement Report

Summary

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

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

Exit Conference

In correspondence received from Wendy Funk, Director of Accounting and Finance, on December 2, 2015, the Commission elected to waive an exit conference.



RSM US LLP

Independent Auditor's Report

Honorable William G. Holland
Auditor General
State of Illinois, and

Mr. Miguel del Valle
Acting Chair of the Governing Board
Illinois Student Assistance Commission

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Illinois Prepaid Tuition Program of the State of Illinois, Illinois Student Assistance Commission as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Illinois Prepaid Tuition Program of the State of Illinois, Illinois Student Assistance Commission, as of June 30, 2015, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2, the financial statements present only the Illinois Prepaid Tuition Program, and do not purport to, and do not present fairly the financial position of the State of Illinois or the State of Illinois, Illinois Student Assistance Commission, as of June 30, 2015, and the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Also, as discussed in Notes 10 and 11, the Illinois Prepaid Tuition Program has a deficit as of June 30, 2015 of \$236 million. The amount of the reported deficit is highly dependent on the actuarial assumptions used to calculate the actuarial present value of future tuition benefit obligations.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information:

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

Other Information:

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting of the Illinois Prepaid Tuition Program and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Illinois Student Assistance Commission's internal control over financial reporting of the Illinois Prepaid Tuition Program and its compliance.

RSM US LLP

Schaumburg, Illinois
December 18, 2015

**State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program**

**Statement of Net Position
June 30, 2015**

| Assets | |
|---|-------------------------|
| Current | |
| Cash and cash equivalents | \$ 4,797,459 |
| Investments | 156,600,659 |
| Receivables: | |
| Contracts receivable | 18,270,942 |
| Notes receivable | 1,007,236 |
| Accrued interest on investments | 160 |
| Total current assets | <u>180,676,456</u> |
| Noncurrent | |
| Investments | 862,980,078 |
| Contracts receivable | 41,550,614 |
| Total non-current assets | <u>904,530,692</u> |
| Total assets | <u>1,085,207,148</u> |
| Liabilities | |
| Current | |
| Accounts payable and accrued expenses | 914,185 |
| Due to other ISAC fund | 204,472 |
| Tuition obligation | 163,506,101 |
| Total current liabilities | <u>164,624,758</u> |
| Noncurrent | |
| Tuition obligation | <u>1,156,695,856</u> |
| Total liabilities | <u>1,321,320,614</u> |
| Net position, unrestricted (deficit) | <u>\$ (236,113,466)</u> |

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2015

| | |
|--|-------------------------|
| Operating revenues: | |
| Income from investment securities (net of closed end funds investment management fees of \$3,522,425; see Note 3C) | \$ 43,773,859 |
| Interest revenue - other | 316,707 |
| Fees | 410,427 |
| Tuition contract revenue | 23,261,353 |
| Net operating revenues | <u>67,762,346</u> |
| Operating expenses: | |
| Salaries and employee benefits | 1,994,836 |
| Accreted tuition expense | 18,624,639 |
| Management and professional services | 3,904,268 |
| Investment management fees | 1,490,849 |
| Investment advisory fees | 1,916,709 |
| Total operating expenses | <u>27,931,301</u> |
| Change in net position | 39,831,045 |
| Net position (deficit), July 1, 2014 | <u>(275,944,511)</u> |
| Net position (deficit), June 30, 2015 | <u>\$ (236,113,466)</u> |

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program

Statement of Cash Flows
Year Ended June 30, 2015

| | |
|---|--------------------------|
| <hr/> | |
| Cash flows from operating activities | |
| Cash receipts from tuition contracts | \$ 32,867,364 |
| Cash received from fees | 410,427 |
| Cash paid for refund of contracts | (18,236,533) |
| Cash paid for tuition | (120,167,041) |
| Cash payments to suppliers for goods and services | (4,427,949) |
| Cash payments to employees for services | (1,994,836) |
| Net cash used in operating activities | <hr/> (111,548,568) |
| Cash flows from investing activities | |
| Purchase of investment securities | (226,490,539) |
| Sales and maturities of investment securities | 322,275,784 |
| Note disbursed | (750,000) |
| Interest and dividends on investments | 18,966,089 |
| Cash paid to investment managers | (1,490,849) |
| Net cash provided by investing activities | <hr/> 112,510,485 |
| Net increase in cash and cash equivalents | 961,917 |
| Cash and cash equivalents, July 1, 2014 | <hr/> 3,835,542 |
| Cash and cash equivalents, June 30, 2015 | <hr/> <hr/> \$ 4,797,459 |

(Continued)

State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program

Statement of Cash Flows (Continued)
Year Ended June 30, 2015

Reconciliation of operating income to net cash used in operating activities:

| | |
|---|-------------------------|
| Change in net position | \$ 39,831,045 |
| Adjustments to reconcile operating income to net cash used in operating activities: | |
| Accreted tuition contract revenue | (23,261,353) |
| Investment income and other interest income | (44,034,134) |
| Investment management fees | 1,490,849 |
| Investment advisory fees | 1,916,709 |
| Accreted tuition expense | 18,624,639 |
| Decrease in assets: | |
| Contracts receivable | 16,224,129 |
| Increase (decrease) in liabilities: | |
| Accounts payable and accrued expenses | 141,140 |
| Due to other ISAC fund | 19,211 |
| Due to other State funds | (67,584) |
| Due to State of Illinois component units | (616,448) |
| Tuition obligation | (121,816,771) |
| Total adjustments | <u>(151,379,613)</u> |
| Net cash used in operating activities | <u>\$ (111,548,568)</u> |
| Supplemental disclosure of noncash investing transactions: | |
| Net appreciation in fair value of investments | <u>\$ 22,892,395</u> |

See Notes to Financial Statements.

**State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program**

Notes to Financial Statements

Note 1. Description of Program

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

Legislation authorizing ISAC to administer an Illinois Prepaid Tuition Program was passed in November 1997. The purpose of this program is to provide Illinois families with an affordable tax-advantaged method to pay for college. Illinois Prepaid Tuition contracts will allow participants to prepay the cost of tuition and mandatory fees at Illinois public universities and community colleges. Benefits of the contracts can also be used at private and out-of-state colleges and universities. Contracts can be purchased in a lump sum payment or in installments.

The Illinois Prepaid Tuition Program Fund is a non-appropriated fund.

A. Program Administration

Oversight of the Program is provided by the Illinois Student Assistance Commission, an agency of the State of Illinois, which was established more than 50 years ago with the mission of helping to make college accessible and affordable for Illinois students. The agency is governed by the Commission, a board of ten persons (barring temporary vacancies) appointed by the Governor. The Commission employs and provides direction to an Executive Director who is responsible for overseeing and implementing the Commission's day-to-day operations. The Commission's administrative powers include, but are not limited to: adopting a sound Investment Policy; approving any changes to the investment manager structure; and monitoring and evaluating the investment performance of the Fund.

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

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

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

**State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Illinois Prepaid Tuition Program does not have component units, nor is it a component unit of any other entity. The Illinois Prepaid Tuition Program is not legally separate from the State of Illinois; it is included in the financial statements of the State as a proprietary fund. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1871.

The financial statements present only the Illinois Prepaid Tuition Program administered by the State of Illinois, Illinois Student Assistance Commission (ISAC) and do not purport to, and do not, present fairly the financial position of the State of Illinois or ISAC as of June 30, 2015, and changes in their financial positions and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The assets of the Fund are to be preserved, invested and expended solely pursuant to and for the purposes of the Fund and may not be loaned or otherwise transferred or used by the State for any other purpose.

B. Basis of Presentation

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

Operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Due to the nature of the Illinois Prepaid Tuition Program activities, income from investments is considered an operating activity in the Statement of Revenues, Expenses, and Changes in Net Position. The fund has no nonoperating activities.

**State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies - Continued

C. Basis of Accounting

The Illinois Prepaid Tuition Program is reported as an enterprise fund, using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. The fund accounts for resources received and used for financing self-supporting activities of the Illinois Prepaid Tuition Program that offers services (prepaid tuition contracts) on a user-charge basis to the general public.

D. Cash and Cash Equivalents

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

E. Investments

The Illinois Prepaid Tuition Program presents investments on its Statement of Net Position at fair value – see Note 3 C for information on the determination of fair value. The net appreciation or depreciation in the fair value of investments since the prior fiscal year (or purchase date for fiscal year 2015 purchases) is included in investment income in the Statement of Revenues, Expenses, and Changes in Net Position. Dividend and interest income are recorded in the period earned.

F. 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 \$59,821,556 as of June 30, 2015 using a 7% discount rate. The Program expects to receive contributions totaling \$18,270,942 in fiscal year 2016. This amount has been classified as current contracts receivable on the Statement of Net Position. The total contract receivable balance is expected to be received over the next fifteen years.

G. Interfund Transactions

The Illinois Prepaid Tuition Program has the following type of interfund transactions with other funds of the State:

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

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

Transfers—flows of assets (such as cash or goods) without equivalent flow of assets in return and without a requirement for repayment. Transfers are reported after nonoperating revenues and expenses.

**State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies - Continued

H. Tuition Obligation

The tuition obligation in the Illinois Prepaid Tuition Program represents the net contract amount for the 43,579 contracts held by the fund as of June 30, 2015, plus the actuarially-determined present value of future benefits the Program expects to provide to contract holders for all contracts.

I. Net Position (Deficit)

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

J. Use of Estimates

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

K. Funding and Actuarial Assistance

Program funding is derived entirely from payments received from contract purchasers and the investment income earned by the Fund. The Commission has obtained actuarial assistance in order to measure the Fund's obligations.

Note 3. Deposits and Investments

A. Investment Authority and Legal Compliance

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

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

**State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program**

Notes to Financial Statements

Note 3. Deposits and Investments – Continued

A. Investment Authority and Legal Compliance (Continued)

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

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

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

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

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

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

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

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

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

**State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program**

Notes to Financial Statements

Note 3. Deposits and Investments – Continued

A. Investment Authority and Legal Compliance - Continued

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 prospective within the parameters set forth in the investment policy guidelines. Effective December 2011, the Program has contracted with Callan Associates to evaluate the investment performance of the Illinois Prepaid Tuition Program on an ongoing basis.

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

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

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

The Commission also authorizes the hiring of professional investment managers to manage the assets of the Fund. Investment managers are hired who, by their record and experience have demonstrated their fiduciary responsibility, their investment expertise, their investment experience, and their capacity to undertake the mandate for which they are being considered. Investment managers retained for the Illinois Prepaid Tuition

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Notes to Financial Statements

Note 3. Deposits and Investments – Continued

A. Investment Authority and Legal Compliance - Continued

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.

B. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Illinois Prepaid Tuition Program's deposits may not be returned to it. State law (30 ILCS 230/2C) requires that all deposits of public funds be covered by FDIC insurance or eligible collateral. The Illinois Prepaid Tuition Program has no policy that would further limit the requirements under State law. As of June 30, 2015, the Illinois Prepaid Tuition Program's deposits held outside the State Treasury were not exposed to custodial credit risk.

C. Investments

ISAC is required annually to adopt a comprehensive investment policy to invest the funds received through contract payments. The Commission approved the Illinois Prepaid Tuition Program's FY15 revision to the investment policy in July 2014; the most recent policy update was done in June 2015.

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

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

**State of Illinois
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Notes to Financial Statements

Note 3. Deposits and Investments - Continued

C. Investments (Continued)

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

| Asset Allocation | Targets | | Rebalancing Range | |
|------------------|-----------|---------|-------------------|-------------|
| | Long-term | Interim | Lower Limit | Upper Limit |
| U.S. Equity | 22.00% | 22.00% | 19.00% | 25.00% |
| Non-U.S. Equity | 20.00% | 18.00% | 15.00% | 21.00% |
| Fixed Income | 25.00% | 21.00% | 18.00% | 24.00% |
| High Yield | 3.00% | 4.00% | 3.00% | 5.00% |
| REIT | 5.00% | 5.00% | 3.00% | 7.00% |
| Absolute Return | 9.00% | 9.00% | 7.00% | 11.00% |
| Real Estate | 5.00% | 10.00% | N/A | N/A |
| Infrastructure | 5.00% | 8.00% | N/A | N/A |
| Private Equity | 5.00% | 2.00% | N/A | N/A |
| Cash | 1.00% | 1.00% | 0.00% | 4.00% |

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

The Target Index components are as follows.

| Asset Class | Index | Weight |
|-----------------|--------------------|--------|
| U.S. Equity | Russell 3000 | 22.00% |
| Non-U.S. Equity | MSCI EAFE | 18.00% |
| Fixed Income | BC U.S. Aggregate | 21.00% |
| High Yield | BofA MLHY | 4.00% |
| REIT | MSCI US REIT | 5.00% |
| Absolute Return | 90-day T Bills +4% | 9.00% |
| Real Estate | NCREIF ODCE | 10.00% |
| Infrastructure | 90-day T Bills +4% | 8.00% |
| Private Equity | Russell 3000 + 3% | 2.00% |
| Cash | 90-day T-Bills | 1.00% |

ISAC has established investment guidelines for the investment managers and conducts thorough due diligence before the appointment of all investment managers. ISAC has retained State Street Global Advisors, Income Research Management, RhumbLine Advisers, Security Capital Research, Alinda Infrastructure, Portfolio Advisors, JP Morgan AIRRO, Morgan Stanley, Balestra Capital, Neuberger Berman, Pinnacle Natural Resource, Ativo, Cornerstone Capital Management, Harris/Pyrford, CM Growth/Camelot Secondary, Kennedy Wilson, Lyrical-Antheus, Mesirov Value, T. Rowe Price and DDJ as investment managers to assist with the investment of the Program assets for the Illinois Prepaid Tuition Program.

**State of Illinois
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Illinois Prepaid Tuition Program**

Notes to Financial Statements

Note 3. Deposits and Investments - Continued

C. Investments - Continued

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

As of June 30, 2015, 21.74% of the funds were invested in Domestic Equities, 20.59% in Fixed Income, 17.19% in International Equities, 8.38% in Infrastructure Funds, 9.41% in Absolute Return Funds, 2.96% in Private Equity Funds, 10.80% in Real Estate, 4.12% in Real Estate Investment Trust, 3.47% in High Yield, and 1.34% in cash and equivalents.

Investments owned are reported at fair value 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 – average cost which approximates fair values;
- (4) Real Estate Investments – fair values as determined by its investment managers and reviewed by Program investment staff and the investment consultant;
- (5) Private Equity, Absolute Return, and Infrastructure Funds – fair values as determined by its investment managers and reviewed by Program investment staff and the investment consultant. Valuations generally are based on the investee's last audited financial statements (generally December 31) and differences attributed to cash flows and subsequent events through June 30.

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

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

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

Private equity, real estate and infrastructure investment portfolios consist of passive interests in non-publicly traded companies. The Program had outstanding unfunded commitments of approximately \$5 million to private equity partnerships, \$1 million to real estate and \$7 million to infrastructure funds as of June 30, 2015.

**State of Illinois
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Notes to Financial Statements

Note 3. Deposits and Investments - Continued

C. Investments - Continued

The Illinois Prepaid Tuition Program's cash and investments at June 30, 2015 are presented below at fair value by investment type and by investment manager:

| Investment Managers Asset Allocation at June 30, 2015 | | | |
|--|--|-------------------------|--------------------------|
| Asset Class | Investment Manager | Fair Value | Actual Allocation |
| Fixed Income-Core Plus | T. Rowe Price | \$ 74,643,763 | 7.28% |
| Fixed Income-Core | State Street Global Advisors | 70,458,480 | 6.88% |
| Fixed Income-Intermediate | Income Research Management | 65,870,580 | 6.43% |
| Total Fixed Income Portfolio | | 210,972,823 | 20.59% |
| High Yield | DDJ Strategic Income Plus | 35,589,028 | 3.47% |
| Total High Yield | | 35,589,028 | 3.47% |
| REIT Preferred Growth | Security Capital Research | 42,257,467 | 4.12% |
| Total REIT | | 42,257,467 | 4.12% |
| Real Estate-Value Added | Kennedy Wilson | 14,326,703 | 1.40% |
| Real Estate-Value Added | Kennedy Wilson | 49,365,860 | 4.82% |
| Real Estate-Opportunistic | Lyrical-Antheus | 20,022,886 | 1.95% |
| Real Estate-Value Added | Mesirow Value | 26,940,052 | 2.63% |
| Total Real Estate | | 110,655,501 | 10.80% |
| Large-Cap Core Equity | Rhumblin Advisers | 83,375,737 | 8.14% |
| All-Cap Core Equity | Rhumblin Advisers | 139,280,327 | 13.60% |
| Total Domestic Equity | | 222,656,064 | 21.74% |
| International Equity | Ativo | 52,489,234 | 5.12% |
| International Equity | Cornerstone Capital Management | 53,905,748 | 5.26% |
| International Equity | Harris/Pyrford | 69,639,857 | 6.80% |
| Total International Equity | | 176,034,839 | 17.19% |
| Infrastructure | Alinda Infrastructure | 55,843,286 | 5.45% |
| Infrastructure | JP Morgan AIRRO | 29,979,790 | 2.93% |
| Total Infrastructure | | 85,823,076 | 8.38% |
| Absolute Return Fund | Funds in transition - Balestra Capital | 3,146,332 | 0.31% |
| Absolute Return Fund | Neuberger Berman | 55,335,793 | 5.40% |
| Absolute Return Fund | Pinnacle Natural Resource | 37,897,352 | 3.70% |
| Total Absolute Return Funds | | 96,379,477 | 9.41% |
| Private Equity Secondary FoFs | CM Growth Capital Partners LP | 7,792,369 | 0.76% |
| Private Equity Secondary FoFs | Morgan Stanley | 9,750,318 | 0.95% |
| Private Equity Secondary FoFs | Portfolio Advisors | 12,734,371 | 1.24% |
| Total Private Equity | | 30,277,058 | 2.96% |
| Cash and Equivalents | Northern Trust | 8,935,404 | 0.87% |
| Investment Cash Equivalents | | 8,935,404 | 0.87% |
| Total Investments | | 1,019,580,737 | 99.53% |
| Cash and Equivalents | Illinois Treasury and lock box | 4,797,458 | 0.47% |
| Total Cash Equivalents | | 4,797,458 | 0.47% |
| TOTAL PORTFOLIO | | \$ 1,024,378,195 | 100% |

**State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program**

Notes to Financial Statements

Note 3. Deposits and Investments - Continued

C. 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 \$1,490,849 for the year ended June 30, 2015 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 FY 2015 amounts to \$1,916,709.

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:

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

Approximately \$3.5 million in investment advisory fees are included in the amount reported for income from investment securities for the fiscal year ending June 30, 2015 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.

**State of Illinois
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 Illinois Prepaid Tuition Program**

Notes to Financial Statements

Note 3. Deposits and Investments - Continued

C. Investments – Continued

The State Treasurer is the custodian of the State's cash and cash equivalents for the Illinois Prepaid Tuition Program maintained in the State Treasury. Amounts on deposits in the custody of the State Treasurer totaled \$4,073,725 at June 30, 2015. These deposits are pooled and invested with other State funds in accordance with the Deposits of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been addressed as to custodial credit risk because the Illinois Prepaid Tuition Program does not own individual securities. Funds held by the State Treasurer are not rated for credit risk and the interest rate risk cannot be determined because the weighted average maturity information for these amounts is not available for individual funds. Details on the nature of these deposits and investments, along with risk disclosures, are available within the State of Illinois' Comprehensive Annual Financial Report.

Interest Rate Risk

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

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

| Fixed Income Portfolio Manager | Portfolio Average Duration | Barclays U.S. Aggregate Bond Index | Barclays Capital Int. Government/ Credit Index |
|---|----------------------------------|--|--|
| Income Research Management | 3.8 Years | N/A | 3.9 Years |
| SSGA U.S. Aggregate Bond Index (Common collective trust) | 5.6 Years | 5.6 Years | N/A |
| T. Rowe Price | 5.4 Years | 5.6 Years | N/A |

**State of Illinois
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Notes to Financial Statements

Note 3. Deposits and Investments - Continued

C. Investments - Continued

Portfolio Weighted Average Maturity

| Investment Type | Fair Value | Weighted Average Maturity (in Years) |
|--|-----------------------|---|
| U.S. treasury notes | \$ 16,294,288 | 4.80 |
| U.S. treasury bonds | 4,640,383 | 24.62 |
| U.S. agency obligations | 4,360,649 | 1.37 |
| Index linked government bonds (U.S. Treasuries) | 2,480,009 | 7.24 |
| Non U.S. Index linked government bonds denominated in foreign currency | 292,865 | 19.22 |
| Bond common collective trust | 70,458,480 | 7.89 |
| Municipal/provincial bonds | 4,202,464 | 8.11 |
| Non U.S. government bonds denominated in U.S. dollars | 225,126 | 9.40 |
| Non U.S. government bonds denominated in foreign currency | 592,372 | 14.90 |
| Multi-sector funds | 43,813,692 | 7.83 |
| Corporate debt securities | 27,174,816 | 5.88 |
| U.S. agency asset-backed securities | 5,862,714 | 16.85 |
| Corporate asset-backed securities | 11,593,609 | 4.90 |
| Mortgage backed securities (MBS): | | |
| Government agencies | 4,276,778 | 14.02 |
| Non-government backed | 2,291,921 | 19.94 |
| Commercial | 11,969,313 | 31.02 |
| Total Fair Value | \$ 210,529,479 | |
| Portfolio weighted average maturity | | 9.3 |

**State of Illinois
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Notes to Financial Statements

Note 3. Deposits and Investments - Continued

C. 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, 2015, 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, 2015

| | Total Fair | |
|---|---------------|-----------|
| | Value | Moody's * |
| Money market mutual funds | \$ 10,153,074 | NR |
| Illinois Funds | 314,523 | NR |
| U.S. agency obligations | 4,360,649 | Aaa |
| Bond common collective trust | 70,458,480 | NR |
| Multi-sector funds | 43,813,692 | NR |
| Non U.S. Government Bonds denominated in U.S. dollars | 225,126 | Baa |

*NR - not rated

State of Illinois
 Illinois Student Assistance Commission
 Illinois Prepaid Tuition Program

Notes to Financial Statements

Note 3. Deposits and Investments - Continued

C. Investments – Continued

Credit Ratings (Multiple-Rated Securities), continued
 June 30, 2015

| Rating Agency | Investment Type | Credit Rating* | Fair Value |
|---------------|-----------------------------------|----------------|-------------------|
| Moody's: | Commercial Mortgage-Backed | Aaa | \$ 4,212,530 |
| | Commercial Mortgage-Backed | Aa | 890,912 |
| | Commercial Mortgage-Backed | A | 1,695,620 |
| | Commercial Mortgage-Backed | Baa | 465,744 |
| | Commercial Mortgage-Backed | Ba | 889,623 |
| | Commercial Mortgage-Backed | NR | 3,814,884 |
| | | | <u>11,969,313</u> |
| Moody's: | Corporate Asset Backed Securities | Aaa | 6,229,265 |
| | Corporate Asset Backed Securities | Aa | 418,592 |
| | Corporate Asset Backed Securities | A | 301,047 |
| | Corporate Asset Backed Securities | Baa | 246,186 |
| | Corporate Asset Backed Securities | Ba | 99,630 |
| | Corporate Asset Backed Securities | Caa | 26,063 |
| | Corporate Asset Backed Securities | NR | 4,272,826 |
| | | | <u>11,593,609</u> |
| Moody's: | Corporate Bonds | Aaa | 290,271 |
| | Corporate Bonds | Aa | 330,838 |
| | Corporate Bonds | A | 7,976,594 |
| | Corporate Bonds | Baa | 17,639,951 |
| | Corporate Bonds | NR | 937,162 |
| | | | <u>27,174,816</u> |
| Moody's: | Municipal/Provincial Bonds | Aaa | 409,824 |
| | Municipal/Provincial Bonds | Aa | 1,430,555 |
| | Municipal/Provincial Bonds | A | 1,205,098 |
| | Municipal/Provincial Bonds | NR | 970,914 |
| | Municipal/Provincial Bonds | WR | 186,073 |
| | | | <u>4,202,464</u> |
| Moody's: | Non-Government Backed C.M.O.s | Baa | 136,897 |
| | Non-Government Backed C.M.O.s | Ba | 246,592 |
| | Non-Government Backed C.M.O.s | B | 368,663 |
| | Non-Government Backed C.M.O.s | Caa | 1,321,021 |
| | Non-Government Backed C.M.O.s | NR | 218,748 |
| | | | <u>2,291,921</u> |

**State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program**

Notes to Financial Statements

Note 3. Deposits and Investments - Continued

C. Investments – Continued

**Credit Ratings (Multiple-Rated Securities), continued
June 30, 2015**

| Rating Agency | Investment Type | Credit Rating* | Fair Value |
|----------------------|--|-----------------------|-------------------|
| Moody's: | Non-U.S. Government Bonds in foreign currency | A | \$ 414,193 |
| | Non-U.S. Government Bonds in foreign currency | Baa | 178,179 |
| | | | <u>592,372</u> |
| Moody's: | Non-U.S. Index Linked Government Bonds in foreign currency | A | 188,825 |
| | Non-U.S. Index Linked Government Bonds in foreign currency | Baa | 104,040 |
| | | | <u>292,865</u> |
| Moody's: | U.S. Agency Asset Backed | Aaa | 5,366,123 |
| | U.S. Agency Asset Backed | NR | 496,591 |
| | | | <u>5,862,714</u> |
| Moody's: | Mortgage Backed Securities - government agencies | Baa | 1,001,135 |
| | Mortgage Backed Securities - government agencies | NR | 3,275,643 |
| | | | <u>4,276,778</u> |

*N/R – not rated, WR – withdrawn

Custodial Credit Risk

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

The Illinois Prepaid Tuition Program is not exposed to custodial credit risk at June 30, 2015.

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.

**State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program**

Notes to Financial Statements

Note 3. Deposits and Investments - Continued

C. Investments - Continued

As of June 30, 2015, there were no investments subject to concentration of credit risk.

Foreign Currency Risk

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

The Illinois Prepaid Tuition Program's investments in international equity are in compliance with the guidelines of the investment policy. As of June 30, 2015, 17.19% is invested in international equities. Certain alternative investments also hold investments located outside of the United States. 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.

| Foreign Currency Denomination | Cash and cash equivalents - equity investments | | Cash and cash equivalents - fixed income investments | | Totals |
|-------------------------------|--|-------------------|--|---------------------|-----------------------|
| | Equity | | Fixed income | | |
| Australian dollar | \$ 7,696,932 | \$ 2 | \$ - | \$ (413,501) | \$ 7,283,433 |
| Brazilian real | 897,428 | 95 | 104,039 | - | 1,001,562 |
| British pound sterling | 32,738,227 | 559,821 | - | - | 33,298,048 |
| Canadian dollar | 2,618,420 | 6,732 | - | - | 2,625,152 |
| Czech koruna | 2,907 | - | - | - | 2,907 |
| Danish krone | 1,804,245 | (1) | - | - | 1,804,244 |
| Euro | 41,164,190 | 197,523 | - | (172,750) | 41,188,963 |
| Hong Kong dollar | 12,660,739 | 26,940 | - | - | 12,687,679 |
| Indonesian rupiah | 862,122 | - | - | - | 862,122 |
| Japanese yen | 16,002,376 | 579 | - | (91,129) | 15,911,826 |
| Malaysian ringgit | 3,623,864 | - | - | - | 3,623,864 |
| Mexican peso | - | - | 603,018 | 80,078 | 683,096 |
| New Israeli shekel | 1,372,053 | 47,529 | - | - | 1,419,582 |
| Norwegian krone | 2,878,694 | 4 | - | - | 2,878,698 |
| Singapore dollar | 4,251,917 | - | - | - | 4,251,917 |
| South African rand | - | 83 | 178,180 | (177,024) | 1,239 |
| Swedish krona | 8,169,839 | (8) | - | - | 8,169,831 |
| Swiss franc | 15,894,251 | 66,293 | - | - | 15,960,544 |
| Thai baht | 620,398 | - | - | - | 620,398 |
| Total | \$ 153,258,602 | \$ 905,592 | \$ 885,237 | \$ (774,326) | \$ 154,275,105 |

**State of Illinois
 Illinois Student Assistance Commission
 Illinois Prepaid Tuition Program**

Notes to Financial Statements

Note 4. Note Receivable

The Illinois Prepaid Tuition Fund had a private equity investment in the Camelot Secondary Fund since fiscal year 2010. In fiscal year 2014 the general partner of the Camelot Secondary Fund was removed. The Camelot limited partners installed a new general partner and the fund was renamed as CM Growth Capital Partners, L.P. As a part of the reorganization and with authorization from ISAC's Commission the Illinois Prepaid Tuition Fund loaned CM Growth Capital Partners, L.P. \$750,000 to pay for expenses associated with the reorganization of the fund. A promissory note was funded for \$439,025 on August 19, 2014 and \$310,975 on November 7, 2014. The balance sheet of the Illinois Prepaid Tuition Fund as of June 30, 2015 includes a receivable for \$1 million consisting of principal and accrued interest.

The amount of \$1.03 million was repaid in full on August 17, 2015.

Note 5. Balance Due to Other ISAC Fund

As of June 30, 2015, the Illinois Prepaid Tuition Program owed \$204,472 to the Student Loan Operating Fund for expense reimbursements.

Note 6. Personnel Cost Allocation

Based on a revised cost allocation policy, beginning in FY13, all payroll-related costs are paid out of the Student Loan Operating Fund. This includes salary, benefits, and any vacation or sick payout should they be incurred. On a monthly basis, College Illinois is charged back for the related hours worked and costs incurred.

Note 7. 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, 2015. See actuarial assumptions and additional information in Note 11.

Tuition obligation activity for the year ended June 30, 2015 is as follows:

| | |
|--|-------------------------|
| Balance July 1, 2014 | \$ 1,446,655,442 |
| Add: | |
| Contributions received in FY2015 | 32,810,932 |
| Change in contracts receivable, at present value* | (16,224,129) |
| Adjust tuition obligation based on actuarial valuation | (4,636,714) |
| Less: | |
| Return of contributions | (18,236,533) |
| Tuition payments | (120,167,041) |
| Balance June 30, 2015** | <u>\$ 1,320,201,957</u> |
| Reported as: | |
| Current | \$ 163,506,101 |
| Noncurrent | <u>1,156,695,856</u> |
| | <u>\$ 1,320,201,957</u> |

*See Note 11. Discount rate used in determining present value was 7%.

**State of Illinois
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Illinois Prepaid Tuition Program**

Notes to Financial Statements

Note 7. Tuition Obligation (Continued)

**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. Tuition and fee increases that were less than expected and the change in assumptions and methods contributed to the decrease in the tuition obligation compared to the balance at June 30, 2014. Accreted tuition expense is reflected as an expense in the Statement of Revenues, Expenses, and Changes in Net Position and as an increase (or decrease) to the tuition obligation on the Statement of Net Position.

Note 8. Pension Plan

A majority of ISAC's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined/benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2015 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2015. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois 62794-9255.

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

The Commission pays employer retirement contributions for the Illinois Prepaid Tuition Program based upon an actuarially determined percentage of its payroll. For fiscal years 2015, 2014, and 2013, the employer contribution rate was 42.3%, 40.3%, and 38.0%, respectively. The required and actual contribution for fiscal years 2015, 2014, and 2013 was \$362,333, \$498,458, and \$451,140, respectively. The net pension liability related to the SERS pension plan are recorded by the Commission's Student Loan Operating Fund.

Note 9. Post-employment Benefits

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

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

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

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Notes to Financial Statements

Note 9. Post-employment Benefits (Continued)

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

Note 10. Fund Deficits

As of June 30, 2015, the Illinois Prepaid Tuition Program has a deficit in net position of \$236,113,466. 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, 2015.

Reconciliation of Fund Deficit with Unfunded Liability in the Actuarial Report

| | |
|--|-------------------------|
| Unfunded liability per actuarial soundness report | \$ (292,111,181) |
| Present value of accrued future administrative expense | 57,116,212 |
| Other accrued liabilities | <u>(1,118,497)</u> |
| Fund deficit per Statement of Net Position | <u>\$ (236,113,466)</u> |

Note 11. Program Risks and Actuarial Data

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

Gabriel, Roeder, Smith and Company, the independent actuarial firm retained by *College Illinois!*®, has performed an actuarial soundness valuation of *College Illinois!*®, the State's section 529 prepaid tuition program, as of June 30, 2015 to evaluate the financial viability of the Program as of June 30, 2015. The complete Actuarial Soundness Report as of June 30, 2015 is included in the Other Information Section.

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.

**State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program**

Notes to Financial Statements

Note 11. Program Risks and Actuarial Data - Continued

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

| | |
|-------------------------------------|---|
| APV of future benefits obligation* | <u>\$ 1,320,201,957</u> |
| Funded ratio | 78.80 % |
| Actuarial assumptions: | |
| Actuarial valuation date | June 30, 2015 |
| Assumed net investment return | 7.00 % |
| Rates of cancellations | Varies according to years from projected college entrance year |
| Tuition increases by contract type: | |
| Legacy: | |
| Through June 30, 2017 | 6.50 % |
| June 30, 2018 through June 30, 2022 | 5.75 |
| June 30, 2023 and beyond | 5.00 |
| University Plus: | |
| Through June 30, 2017 | 6.50 % |
| June 30, 2018 through June 30, 2022 | 5.75 |
| June 30, 2023 and beyond | 5.00 |
| University: | |
| Through June 30, 2017 | 6.50 % |
| June 30, 2018 through June 30, 2022 | 5.75 |
| June 30, 2023 and beyond | 5.00 |
| Community College: | |
| Through June 30, 2017 | 6.50 % |
| June 30, 2018 through June 30, 2022 | 5.75 |
| June 30, 2023 and beyond | 5.00 |

* For all existing contracts as of June 30, 2015

The actuarial present value of the future benefits obligation decreased by approximately \$126 million compared to the balance reported at June 30, 2014. Contributing to the overall decrease was tuition paid during the year.

Note 12. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and natural disasters. The State retains the risk of loss (i.e., self insured) for these risks except for insurance purchased by the Commission for the building and EDP equipment. There has been no reduction in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded coverage for the current or prior two years. The Commission's risk management activities for workers' compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the general fund of the State. The claims are not considered to be a liability of the Commission and, accordingly, have not been reported in the Commission's financial statements for the year ended June 30, 2015.

**State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program**

Notes to Financial Statements

Note 13. New Governmental Accounting Standards

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

GASB Statement No. 72, *Fair Value Measurement and Application*, will be effective for the Commission with its year ended June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Nos. 67 and 68*, will be effective for the Commission beginning with its year ended June 30, 2017, except those provisions that amend provisions of Statements 67 and 68, which are effective for the Commission beginning with its year ended June 30, 2016. This Statement will establish requirements for deferred benefit pensions that are not within the scope of Statement No. 68. It also amends provisions of Statements 67 and 68.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for the Commission beginning with its year ended June 30, 2017. This Statement establishes guidance for reporting OPEB plans that administer benefits on behalf of governmental entities. This Statement also addresses financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

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

Management has not yet completed its assessment of the impact this Statement may have on the financial statements.

OTHER INFORMATION

**COLLEGE ILLINOIS!® PREPAID TUITION PROGRAM
ACTUARIAL SOUNDNESS VALUATION REPORT
AS OF JUNE 30, 2015**

October 29, 2015

Mr. Eric Zarnikow
Executive Director
Illinois Student Assistance Commission
James R. Thompson Center
100 West Randolph, Suite 3-200
Chicago, IL 60601-3293

Re: College Illinois!® Prepaid Tuition Program Actuarial Valuation as of June 30, 2015

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, 2015. 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, 2015.

This report presents the principal results of the actuarial 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, 2015, with the value of the assets associated with the program as of that same date;
- An analysis of the factors which caused the deficit/surplus to change since the prior actuarial valuation; and
- A summary of the actuarial assumptions and methods utilized in the actuarial calculations.

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

The 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 otherwise 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, 2015, and do not reflect subsequent market volatility.

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The actuarial assumptions used in this analysis 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, valuation.

Given the current asset allocation and liquidity requirements, the net investment rate of return assumption of 7.00 percent, appears to be consistent with applicable Actuarial Standards of Practice.

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

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

To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the College Illinois!® Prepaid Tuition Program as of June 30, 2015. All calculations have been made in conformity with generally accepted actuarial principles and practices commonly applicable to similar types of arrangements.

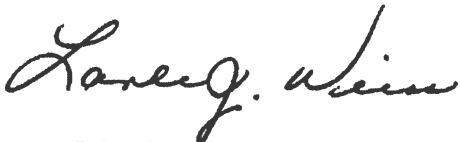
There are currently no Actuarial Standards of Practice which specifically relate to prepaid tuition plans. We have looked to the Actuarial Standards of Practice related to pensions for guidance due to their similar nature.

Lance Weiss, Paul Wood and Alex Rivera are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

The signing actuaries are independent of ISAC.

Respectfully submitted,

Gabriel, Roeder, Smith and Company



Lance J. Weiss, EA, MAAA, FCA
Senior Consultant



Paul T. Wood, ASA, MAAA, FCA
Consultant



Alex Rivera, FSA, EA, MAAA
Senior Consultant

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SECTION A

EXECUTIVE SUMMARY

SUMMARY OF RESULTS

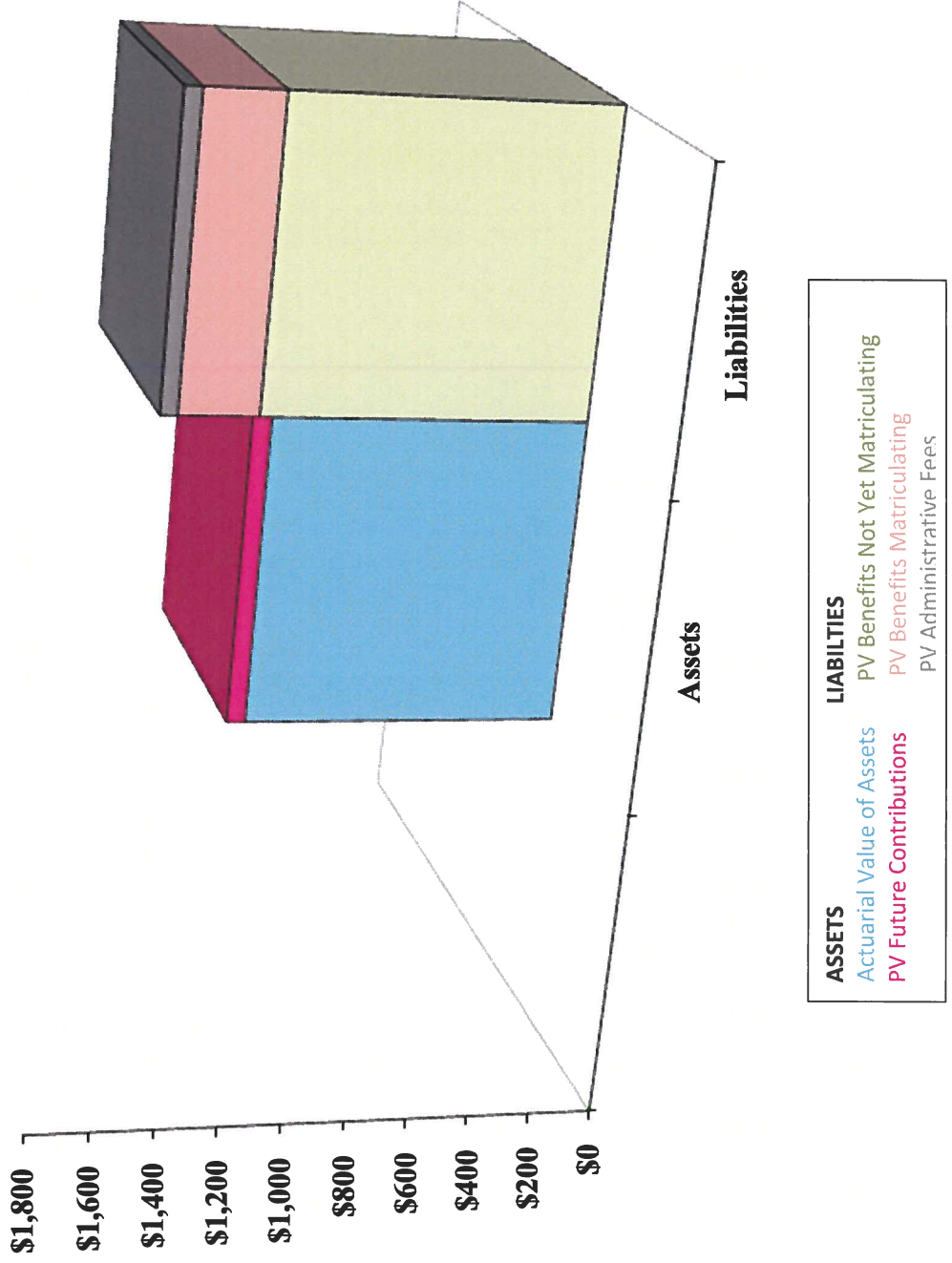
Principal Valuation Results

| Valuation Date: | June 30, 2015 | June 30, 2014 |
|---|-----------------|-----------------|
| Membership Summary: | | |
| Counts | | |
| Not yet Matriculating | 31,194 | 34,125 |
| Matriculating | 12,385 | 11,713 |
| Total | 43,579 | 45,838 |
| Average years until Enrollment if Not yet Matriculating | 4.7 | 5.0 |
| Assets ¹ | | |
| · Actuarial Value of Assets (AVA) | \$1,085,206,988 | \$1,172,353,201 |
| · Estimated Return ² | 3.90% | 11.28% |
| Actuarial Liabilities (Present Value of Future Tuition Payments, Fees, and Administrative Expenses) | \$1,377,318,169 | \$1,500,535,374 |
| Unfunded Liabilities | \$292,111,181 | \$328,182,173 |
| Funded Ratio | 78.8% | 78.1% |

¹ Asset values include present value of expected future contributions from current members.

² The estimated return was determined using the market value of assets due to the change in the asset valuation method.

SUMMARY OF ASSETS AND LIABILITIES AS OF JUNE 30, 2015 \$ IN MILLIONS



Funded Status as of June 30, 2015 (Based on Actuarial Value of Assets)

| | June 30, 2015 |
|--|------------------------|
| Actuarial Present Value of Future Tuition Payments, Fees and Expenses | \$1,377,318,169 |
| Actuarial Value of Assets (Including the Present Value of Installment Contract Receivables) | \$1,085,206,988 |
| Deficit/(Surplus) as of June 30, 2015 | \$292,111,181 |

Gain/Loss Summary

| | Unfunded Liability (Market Value of Assets) |
|-----------------------------------|---|
| Value at June 30, 2014 | \$ 328,182,173 |
| Expected Value at June 30, 2015 | \$ 346,104,498 |
| (Gain)/Loss Due to: | |
| Investment Experience | \$ 31,916,454 |
| Change in Assumptions and Methods | (49,845,761) |
| Tuition/Fee Inflation | (47,420,647) |
| Other Demographic Experience* | 11,356,637 |
| Total | \$ (53,993,317) |
| Actual Value at June 30, 2015 | \$ 292,111,181 |

**Other Demographic Experience includes deviations in actual participant experience from our assumptions related to rates of participant deaths and disabilities, rates of separation from active membership, rates of enrollment and utilization of benefits.*

Additional Details on the development of the Expected Value at June 30, 2015, can be found on Page 10.

DISCUSSION

Actuarial Valuation

Gabriel, Roeder, Smith & Company (“GRS”) has performed an actuarial soundness valuation of the College Illinois!® Prepaid Tuition Program (“CIPTP”) as of June 30, 2015.

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, 2015, and compare such liabilities with the value of the assets associated with the program as of that same date; and
- Analyze the factors which caused the deficit/surplus to change since the prior actuarial valuation.

This report summarizes those results and, strictly for illustrative purposes, also presents the results of (1) a closed group business model and (2) alternative open group business models. Finally, the report also presents the impact of variances 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 member data, financial data, plan provisions and actuarial assumptions and methods.

The actuarial assumptions and methods used for this June 30, 2015, actuarial soundness 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, valuation.

On October 17, 2014, CIPTP announced reduced pricing for purchasers of new contracts. In addition, price adjustments were made to certain existing CIPTP contract holders who purchased prepaid plans after October 2010. This June 30, 2015, actuarial soundness valuation takes into account such reduced pricing as well as the price adjustments made to certain existing contract holders.

Background

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

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

The first CIPTP contracts were offered for sale in 1998. As of June 30, 2015, the CIPTP had 43,579 contracts in force.

Actuarial Assumptions

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The actuarial assumptions used in this actuarial soundness valuation are based on an experience review for the period from July 1, 2011, to June 30, 2014 and were approved and adopted for use commencing with the June 30, 2015 actuarial soundness valuation by ISAC. These actuarial assumptions are the responsibility of ISAC.

Key Actuarial Assumptions – Changes Since Prior Valuation

An experience review of the actuarial assumptions used in the annual actuarial soundness valuation of the College Illinois!® Prepaid Tuition Program for the period July 1, 2011, to June 30, 2014, was performed. The primary purpose of the study was to determine the continued appropriateness of the actuarial assumptions by comparing actual experience to expected experience. Our study was based on census information as provided by ISAC and annual actuarial soundness valuations for the period from July 1, 2011, to June 30, 2014.

Following is a summary of our key findings and recommendations, as approved by ISAC.

- **Price inflation:** Maintain the rate of price inflation of 3.00 percent.
- **Investment return:** Maintain the current investment return assumption of 7.00 percent, net of investment expenses.
- **Tuition and fee increases:** Maintain the current “select and ultimate” rate increase structure.
- **Rates of cancellation before and after projected college entrance year:** Updated this assumption based on recent experience. Furthermore, it is assumed that a 100 percent of contract holders will cancel their contracts ten years after their projected college entrance date if the contract has not been used by that point.
- **Probability of matriculation at or beyond projected college entrance year:** Updated and simplified this assumption based on recent experience.
- **Utilization of benefits that applies both to contracts in and not yet in payment status:** Lowered the assumed number of credit hours used by beneficiaries.
- **Mortality and Disability:** Maintain the current assumption of no provision for death and disability.
- **Weighted Average Tuition and Bias Load:** Maintain the methodology to calculate the Weighted Average Tuition. Furthermore, the Bias Loads were modified to better track recent experience.
- **Administrative Expenses:** Maintain the current basis for determining the level of administrative expenses used in the Actuarial Soundness Valuation. The growth rate of administrative expenses was lowered to be consistent with the price inflation assumption.
- **Truth in Tuition:** Maintain the current assumption pertaining to Truth in Tuition for beneficiaries who attend school for no more than four years. For those beneficiaries that attend school beyond four years, the amount charged was modified to the amount charged the year after they first enrolled.
- **Asset Valuation Method:** The use of asset smoothing was eliminated and the actuarial value of assets was set to the market value of assets.

ISAC approved these assumptions for use in the June 30, 2015, actuarial soundness valuation. The impact of the change in assumptions and methods is shown in Exhibit II on Page 10.

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, 2015

As of June 30, 2015, the present value of all future tuition obligations under contracts outstanding (and including future administrative expenses) at that date is \$1,377,318,169. Fund assets as of June 30, 2015, including the market value of program assets and the present value of installment contract receivables, is \$1,085,206,988.

The difference between the present value of future tuition obligations and the value of assets as of June 30, 2015, represents a program deficit of \$292,111,181. The comparable program deficit as of the last valuation as of June 30, 2014, was \$328,182,173.

Gain/Loss Analysis

As described above, the program deficit decreased from \$328.2 million as of June 30, 2014, to \$292.1 million as of June 30, 2015. Based on the actuarial assumptions used during the June 30, 2014, actuarial soundness valuation, the deficit was expected to increase to \$346.1 million. The primary factors which caused the expected deficit to decrease by \$54.0 million include tuition and fee increases that were less than expected and the change in assumptions and methods. These gains were partially offset by losses due to investment returns that were less than expected and other demographic experience which includes deviations in actual participant experience from our assumptions related to rates of separation from active membership and rates of enrollment and utilization of benefits.

The funded ratio increased from 78.1 percent as of June 30, 2014, to 78.8 percent as of June 30, 2015.

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 valuation as of June 30, 2014.

Assets

CIPTP assets are held in trust. ISAC provided the asset information used in the June 30, 2015, 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 valuation date to the current valuation date. The approximate return on market value of assets was 3.90 percent for the year ended June 30, 2015.

Commencing with the June 30, 2015, valuation, the actuarial value of assets is equal to the market value of assets.

Closed Group Business Model (Run-Off Scenario)

While the closing of the program has not occurred, in Exhibit IV, we have provided a closed group projection (i.e., run off scenario) for illustration purposes assuming no new contract sales after June 30, 2015. Under this scenario, member payments, fund principal and investment income are projected to be insufficient to make the required tuition payments by the year 2025 and additional funds will be required to maintain solvency (\$684 million for the period 2025 to 2051). Under this scenario, the shortfall is expected to grow from the current level of \$292 million until it reaches a high of \$538 million in 2024.

Open Group Ongoing Business Scenarios

Exhibits V, VI, VII and VIII present the results of an open group scenario assuming the sale of additional new contracts. The alternative open group scenarios included in this section of the report (the sale of 500, 1,000, 1,500 and 2,500 new contracts each year) were provided to us by ISAC and are presented for illustrative purposes only. Because there are many factors that may impact the decision to purchase a new contract including but not limited to contract prices, expected future tuition cost increases, competing savings vehicles, etc., it is very difficult to assess the likelihood of selling a particular number of contracts. Therefore, GRS is unable to judge the reasonableness of these new contract sales scenarios. Please refer to Page 22 in this report for a summary of historical contract sales.

Exhibits V and VI illustrate the program results based on an investment return assumption of 7.00 percent and an assumption of 500 and 1,000 new contract sales each year. Under these more conservative new contract sales assumptions, member payments, fund principal and investment income are projected to be insufficient to make the required tuition payments and additional funds will be required for a period of time.

Exhibit VII illustrates the program results based on an investment return assumption of 7.00 percent and an assumption of 1,500 new contract sales each year. Under this new contract sales assumption, the CIPTP funded status is projected to decrease to 54 percent in 2030 and gradually increase to 78 percent in 2050.

Exhibit VIII illustrates the program results based on an investment return assumption of 7.00 percent and an assumption of 2,500 new contract sales each year. Under this new contract sales assumption, the CIPTP funded status is projected to stay fairly level at around 78 to 83 percent for a number of years before gradually improving to 100 percent in 2036.

The level of contribution premium over the expected costs can significantly impact the number of new contract future sales. The projection scenarios are for illustrative purposes only and do not consider how increases in contract costs can impact future sales.

Contract Prices

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

Contracts Sold by Enrollment Year

The chart on Page 22 in Section D illustrates the number of contracts sold by enrollment year.

As this chart indicates, the number of contracts sold has decreased significantly during the last five enrollment years from the number sold per year in previous years. The average annual number of contracts sold during the period 1999 to 2010 was 5,236; whereas the average annual number of contracts sold during the last five year period 2010 to 2015 was 598 including 2011/2012 when the plan was not open for new contract sales, or 748 excluding 2011/2012 when the plan was not open for new contract sales.

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

SECTION B

VALUATION RESULTS

Exhibit I
Principal Valuation Results

| Valuation Date: | June 30, 2015 | June 30, 2014 |
|---|--------------------|--------------------|
| 1 Number of Members | | |
| a. Not yet Matriculating: | 31,194 | 34,125 |
| b. Matriculating: | 12,385 | 11,713 |
| c. Total | 43,579 | 45,838 |
| Average Years until Enrollment if Not Yet Matriculating | 4.7 | 5.0 |
| 2 Assets | | |
| a. Market Value of Assets (in Trust) | \$ 1,025,385,432 | \$ 1,096,307,516 |
| b. PV Future Member Contributions | 59,821,556 | 76,045,685 |
| c. Total Actuarial Value of Assets (AVA) (2a + 2b) | \$ 1,085,206,988 | \$ 1,172,353,201 |
| 3 Actuarial Results | | |
| Liabilities | | |
| a. Not yet Matriculating - Tuition and Fees | \$ 1,062,457,974 | \$ 1,202,693,448 |
| b. Matriculating - Tuition and Fees | 257,743,983 | 243,961,994 |
| c. Present Value of Future Administrative Expenses | 57,116,212 | 53,879,932 |
| d. Total | \$ 1,377,318,169 | \$ 1,500,535,374 |
| Unfunded Liability | \$ 292,111,181 | \$ 328,182,173 |
| Funded Ratio | 78.8% | 78.1% |

Exhibit II
Gain/Loss Summary

| | Present Value of Benefits | Market Value of Assets | Unfunded Liability |
|--|---------------------------|------------------------|--------------------|
| 1. Values at June 30, 2014 | \$ 1,500,535,374 | \$1,172,353,201 | \$ 328,182,173 |
| 2. Actual Tuition Payments, Refunds, and Administrative Expenses | \$ (144,739,442) | \$ (144,739,442) | \$ - |
| 3. Interest on 1. and 2. at 7.00% | \$ 100,057,275 | \$ 77,084,523 | \$ 22,972,752 |
| 4. New Contracts | \$ 15,200,234 | \$ 20,250,661 | \$ (5,050,427) |
| 5. Projected Values at June 30, 2015 (1. + 2. + 3. + 4.) | \$ 1,471,053,441 | \$ 1,124,948,943 | \$ 346,104,498 |
| 6. (Gain)/Loss Due to: | | | |
| Investment Experience | \$ - | \$ 31,916,454 | \$ 31,916,454 |
| Change in Assumptions and Methods | (52,491,873) | 2,646,111 | (49,845,761) |
| Tuition/Fee Inflation | (47,420,647) | - | (47,420,647) |
| Other Demographic Experience* | 6,177,247 | 5,179,390 | 11,356,637 |
| Total | \$ (93,735,273) | \$ 39,741,955 | \$ (53,993,317) |
| 7. Actual Values at June 30, 2015 (5. + 6.) | \$ 1,377,318,169 | \$ 1,085,206,988 | \$ 292,111,181 |

**Other Demographic Experience includes deviations in actual participant experience from our assumptions related to rates of participant deaths and disabilities, rates of separation from active membership, rates of enrollment and utilization of benefits.*

**Exhibit III
Gain and Loss History**

| | June 30, 2011 | June 30, 2012 | June 30, 2013 | June 30, 2014 | June 30, 2015 |
|--|-----------------|------------------|-----------------|------------------|-----------------|
| Unfunded Liability at Prior Valuation Date | \$ 531,271,895 | \$ 536,337,123 | \$ 467,404,585 | \$ 448,506,323 | \$ 328,182,173 |
| Projected Unfunded Liability at Valuation Date | \$ 548,401,665 | \$ 585,357,342 | \$ 491,441,672 | \$ 474,596,839 | \$ 346,104,498 |
| (Gain)/Loss Due to: | | | | | |
| Investment Experience | \$ (82,811,259) | \$ 50,941,188 | \$ (13,003,926) | \$ (44,221,698) | \$ 31,916,454 |
| Change in Assumptions | 112,715,224 | (81,435,163) | 24,441,468 | (53,755,927) | (49,845,761) |
| Tuition/Fee Inflation* | N/A | N/A | (66,164,363) | (45,359,154) | (47,420,647) |
| Other Demographic Experience | (41,968,507) | (87,458,782) | 11,791,472 | (3,077,887) | 11,356,637 |
| Total | \$ (12,064,542) | \$ (117,952,757) | \$ (42,935,349) | \$ (146,414,666) | \$ (53,993,317) |
| Unfunded Liability at Valuation Date | \$ 536,337,123 | \$ 467,404,585 | \$ 448,506,323 | \$ 328,182,173 | \$ 292,111,181 |

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

Section B

**Exhibit IV
Closed Group Business Model (Run Off Scenario) – Current Year Assumptions**

**Closed Group Projections (No New Contracts)
Projection Based on Data as of June 30, 2015
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2015
7.00% Assumed Net Investment Return
0 New Contracts Per Year**

| Year Ending 6/30 | Assumed Net Rate of Return | Annual New Contracts | Additional | | | Assets | | | | Liabilities | | | | Funded Ratio | |
|------------------|----------------------------|----------------------|---------------|-------------------------------------|------------------------|-------------------------------------|-------------------------|-----------------------|------------------------------|---|--------------------------------|--|--|--------------|--|
| | | | Contributions | Solvency Contributions ¹ | Required Contributions | Tuition Payments, Refunds, and Fees | Administrative Expenses | Net Investment Return | Market Value of Assets (EOY) | Total Present Value of Future Contributions | Total Fund Assets (MVA + PVFC) | Total Present Value of Future Benefits | Present Value of Future Admin Expenses | | Total Present Value of Future Benefits, Fees, and Expenses |
| 2015 | | | 33,221,359 | 0 | 137,976,098 | 6,763,344 | 40,595,999 | 1,025,385,432 | 59,821,556 | 1,085,206,988 | 1,320,201,957 | 57,116,212 | 1,377,318,169 | 292,111,181 | 78.8% |
| 2016 | 7.00% | 0 | 18,270,942 | 0 | 163,506,101 | 5,951,743 | 66,485,439 | 940,683,970 | 45,109,455 | 985,793,425 | 1,243,484,021 | 54,957,817 | 1,298,441,838 | 312,648,413 | 75.9% |
| 2017 | 7.00% | 0 | 12,937,171 | 0 | 157,378,831 | 6,145,174 | 60,577,339 | 850,674,475 | 34,884,803 | 885,559,278 | 1,167,733,907 | 52,448,246 | 1,220,182,153 | 334,622,875 | 72.6% |
| 2018 | 7.00% | 0 | 10,601,619 | 0 | 158,628,037 | 6,284,385 | 54,146,335 | 750,510,007 | 26,360,339 | 776,870,346 | 1,085,389,078 | 49,619,005 | 1,135,008,083 | 358,137,737 | 68.4% |
| 2019 | 7.00% | 0 | 8,442,663 | 0 | 160,149,575 | 6,364,871 | 47,003,188 | 639,441,412 | 19,472,404 | 658,913,816 | 995,706,203 | 46,508,461 | 1,042,214,664 | 383,300,848 | 63.2% |
| 2020 | 7.00% | 0 | 6,054,475 | 0 | 152,765,915 | 6,383,718 | 39,402,588 | 525,748,822 | 14,572,675 | 540,321,497 | 907,383,229 | 43,160,685 | 950,543,914 | 410,222,417 | 56.8% |
| 2021 | 7.00% | 0 | 4,665,555 | 0 | 146,037,537 | 6,339,763 | 31,632,506 | 409,669,583 | 10,766,675 | 420,436,258 | 819,837,533 | 39,624,030 | 859,461,563 | 439,025,305 | 48.9% |
| 2022 | 7.00% | 0 | 4,279,801 | 0 | 145,372,001 | 6,233,689 | 23,520,465 | 385,864,159 | 7,093,282 | 292,957,441 | 726,852,073 | 35,949,535 | 762,801,608 | 469,844,167 | 38.4% |
| 2023 | 7.00% | 0 | 3,090,906 | 0 | 142,096,261 | 6,068,009 | 14,932,923 | 255,723,718 | 4,392,553 | 160,116,271 | 630,746,085 | 32,189,204 | 662,935,289 | 502,819,018 | 24.2% |
| 2024 | 7.00% | 0 | 1,984,274 | 0 | 136,649,501 | 5,846,986 | 5,982,733 | 211,194,238 | 2,647,483 | 23,841,721 | 533,546,855 | 28,394,279 | 561,941,134 | 538,099,413 | 4.2% |
| 2025 | 7.00% | 0 | 1,092,345 | 0 | 125,864,177 | 5,576,442 | 716,713 | 0 | 1,702,876 | 1,702,876 | 440,700,113 | 24,613,562 | 465,313,675 | 463,610,799 | 0.4% |
| 2026 | 7.00% | 0 | 690,430 | 0 | 115,748,930 | 5,208,601 | 0 | 0 | 1,107,891 | 1,107,891 | 351,817,401 | 20,948,693 | 372,766,094 | 371,658,203 | 0.3% |
| 2027 | 7.00% | 0 | 585,354 | 0 | 98,966,020 | 4,762,453 | 0 | 0 | 579,948 | 579,948 | 274,073,290 | 17,488,781 | 291,562,071 | 290,982,123 | 0.2% |
| 2028 | 7.00% | 0 | 347,147 | 0 | 86,624,855 | 4,260,735 | 0 | 0 | 261,453 | 261,453 | 207,701,152 | 14,305,658 | 222,006,810 | 221,745,357 | 0.1% |
| 2029 | 7.00% | 0 | 191,293 | 0 | 70,290,811 | 3,727,967 | 0 | 0 | 81,880 | 81,880 | 153,189,161 | 11,450,815 | 164,639,976 | 164,558,096 | 0.0% |
| 2030 | 7.00% | 0 | 84,697 | 0 | 54,733,216 | 3,188,403 | 0 | 0 | 0 | 0 | 110,506,379 | 8,954,263 | 119,460,642 | 119,460,642 | 0.0% |
| 2031 | 7.00% | 0 | 41,454,954 | 0 | 38,790,810 | 2,664,144 | 0 | 0 | 0 | 0 | 78,116,267 | 6,825,249 | 84,941,516 | 84,941,516 | 0.0% |
| 2032 | 7.00% | 0 | 30,521,077 | 0 | 28,347,453 | 2,173,624 | 0 | 0 | 0 | 0 | 54,261,548 | 5,054,603 | 59,316,151 | 59,316,151 | 0.0% |
| 2033 | 7.00% | 0 | 22,336,826 | 0 | 20,606,213 | 1,730,613 | 0 | 0 | 0 | 0 | 36,744,608 | 3,618,265 | 40,362,873 | 40,362,873 | 0.0% |
| 2034 | 7.00% | 0 | 15,877,326 | 0 | 14,550,554 | 1,326,772 | 0 | 0 | 0 | 0 | 24,265,509 | 2,499,120 | 26,764,629 | 26,764,629 | 0.0% |
| 2035 | 7.00% | 0 | 11,043,150 | 0 | 10,065,173 | 977,977 | 0 | 0 | 0 | 0 | 15,552,590 | 1,662,431 | 17,215,021 | 17,215,021 | 0.0% |
| 2036 | 7.00% | 0 | 7,412,800 | 0 | 6,720,812 | 691,988 | 0 | 0 | 0 | 0 | 9,689,203 | 1,063,003 | 10,752,206 | 10,752,206 | 0.0% |
| 2037 | 7.00% | 0 | 4,833,765 | 0 | 4,364,575 | 469,190 | 0 | 0 | 0 | 0 | 5,852,693 | 652,079 | 6,504,772 | 6,504,772 | 0.0% |
| 2038 | 7.00% | 0 | 3,090,398 | 0 | 2,786,132 | 304,266 | 0 | 0 | 0 | 0 | 3,380,381 | 382,989 | 3,763,370 | 3,763,370 | 0.0% |
| 2039 | 7.00% | 0 | 1,850,506 | 0 | 1,662,179 | 188,327 | 0 | 0 | 0 | 0 | 1,897,635 | 214,992 | 2,112,627 | 2,112,627 | 0.0% |
| 2040 | 7.00% | 0 | 1,046,832 | 0 | 935,829 | 111,003 | 0 | 0 | 0 | 0 | 1,062,440 | 115,219 | 1,177,659 | 1,177,659 | 0.0% |
| 2041 | 7.00% | 0 | 598,498 | 0 | 536,350 | 62,148 | 0 | 0 | 0 | 0 | 582,005 | 58,998 | 641,003 | 641,003 | 0.0% |
| 2042 | 7.00% | 0 | 355,398 | 0 | 321,353 | 34,045 | 0 | 0 | 0 | 0 | 290,335 | 27,912 | 318,247 | 318,247 | 0.0% |
| 2043 | 7.00% | 0 | 190,016 | 0 | 173,033 | 16,983 | 0 | 0 | 0 | 0 | 131,672 | 12,298 | 143,970 | 143,970 | 0.0% |
| 2044 | 7.00% | 0 | 93,212 | 0 | 85,510 | 7,702 | 0 | 0 | 0 | 0 | 52,437 | 5,192 | 57,629 | 57,629 | 0.0% |
| 2045 | 7.00% | 0 | 33,048 | 0 | 29,981 | 3,067 | 0 | 0 | 0 | 0 | 25,095 | 2,383 | 27,478 | 27,478 | 0.0% |
| 2046 | 7.00% | 0 | 16,370 | 0 | 14,902 | 1,468 | 0 | 0 | 0 | 0 | 11,437 | 1,031 | 12,468 | 12,468 | 0.0% |
| 2047 | 7.00% | 0 | 7,762 | 0 | 7,093 | 669 | 0 | 0 | 0 | 0 | 4,900 | 411 | 5,311 | 5,311 | 0.0% |
| 2048 | 7.00% | 0 | 3,523 | 0 | 3,236 | 287 | 0 | 0 | 0 | 0 | 1,896 | 144 | 2,040 | 2,040 | 0.0% |
| 2049 | 7.00% | 0 | 1,510 | 0 | 1,399 | 111 | 0 | 0 | 0 | 0 | 582 | 39 | 621 | 621 | 0.0% |
| 2050 | 7.00% | 0 | 0 | 0 | 493 | 34 | 0 | 0 | 0 | 0 | 113 | 6 | 119 | 119 | 0.0% |

¹ Additional contributions in the amount of \$684,263,923 are needed over the years 2025 through 2050 to pay all benefits due.

Section B

Exhibit V
Continuing Business Model – Current Year Assumptions – New Contract Sales of 500 Per Year

Open Group Projections (Continuing Business Scenario)
Projection Based on Data as of June 30, 2015
7.00% Assumed Net Investment Return
500 New Contracts Per Year

| Year Ending 6/30 | Assumed | | Assets | | | | | | | | | | Liabilities | | | | Funded Ratio |
|------------------|------------|----------------------|---|-------------------------------------|-------------------------|-------------------|------------------------------|---|--------------------------------|--|---------------------------------|--|--------------------|-------------|-------|--|--------------|
| | Net Return | Annual New Contracts | Additional Required Solvency Contributions ² | Tuition Payments, Refunds, and Fees | Administrative Expenses | 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 Admin Expenses | Total Present Value of Future Benefits, Fees, and Expenses | Unfunded Liability | | | | |
| 2015 | | | 33,221,359 | 0 | 137,976,098 | 6,763,344 | 40,595,999 | 1,025,385,432 | 59,821,556 | 1,085,206,988 | 1,320,201,957 | 57,116,212 | 1,377,318,169 | 292,111,181 | 78.8% | | |
| 2016 | 7.0% | 500 | 18,270,942 | 0 | 163,506,101 | 5,951,743 | 66,485,439 | 940,683,970 | 60,438,989 | 1,001,122,959 | 1,255,293,456 | 55,133,501 | 1,310,426,957 | 309,303,998 | 76.4% | | |
| 2017 | 7.0% | 500 | 22,361,824 | 0 | 157,391,010 | 6,160,054 | 60,906,255 | 860,400,985 | 57,882,964 | 918,283,949 | 1,192,771,396 | 53,147,031 | 1,245,918,427 | 327,634,477 | 73.7% | | |
| 2018 | 7.0% | 500 | 22,118,078 | 0 | 158,937,861 | 6,344,855 | 55,217,307 | 772,453,654 | 56,323,079 | 828,776,733 | 1,124,880,667 | 51,556,447 | 1,176,437,114 | 347,660,381 | 70.4% | | |
| 2019 | 7.0% | 500 | 22,049,420 | 0 | 160,773,875 | 6,535,201 | 48,987,668 | 676,181,666 | 55,719,526 | 731,901,192 | 1,050,990,703 | 50,376,539 | 1,101,367,242 | 369,466,050 | 66.5% | | |
| 2020 | 7.0% | 500 | 21,846,696 | 0 | 153,909,574 | 6,731,257 | 42,474,922 | 579,862,453 | 56,344,521 | 636,206,974 | 979,720,834 | 49,612,056 | 1,029,332,890 | 393,125,916 | 61.8% | | |
| 2021 | 7.0% | 500 | 22,745,758 | 0 | 147,774,317 | 6,933,195 | 35,971,710 | 483,872,409 | 57,189,966 | 541,062,375 | 910,523,511 | 49,248,622 | 959,772,133 | 418,709,758 | 56.4% | | |
| 2022 | 7.0% | 500 | 23,911,699 | 0 | 147,947,617 | 7,141,191 | 29,279,870 | 381,975,170 | 58,068,757 | 440,043,927 | 837,061,221 | 49,259,252 | 886,320,473 | 446,276,547 | 49.6% | | |
| 2023 | 7.0% | 500 | 24,322,261 | 0 | 145,789,784 | 7,355,426 | 22,229,459 | 275,381,680 | 59,652,653 | 335,034,333 | 761,471,670 | 49,603,710 | 811,075,380 | 476,041,047 | 41.3% | | |
| 2024 | 7.0% | 500 | 24,730,025 | 0 | 141,728,911 | 7,576,089 | 14,916,593 | 165,723,298 | 62,063,407 | 227,786,705 | 685,625,414 | 50,236,095 | 735,861,509 | 508,074,804 | 31.0% | | |
| 2025 | 7.0% | 500 | 25,364,055 | 0 | 132,585,340 | 8,037,473 | 7,574,768 | 58,273,409 | 65,219,581 | 123,492,990 | 614,831,509 | 51,756,194 | 666,587,703 | 543,094,713 | 18.5% | | |
| 2026 | 7.0% | 500 | 26,509,037 | 45,671,654 | 124,387,225 | 8,037,473 | 1,970,598 | 0 | 68,613,930 | 68,613,930 | 548,442,992 | 53,988,069 | 602,431,061 | 533,817,131 | 11.4% | | |
| 2027 | 7.0% | 500 | 27,935,742 | 90,034,244 | 109,691,389 | 8,278,597 | 0 | 0 | 72,066,971 | 72,066,971 | 493,559,362 | 56,736,796 | 550,296,158 | 478,229,187 | 13.1% | | |
| 2028 | 7.0% | 500 | 29,271,140 | 74,901,659 | 95,645,844 | 8,526,955 | 0 | 0 | 75,778,607 | 75,778,607 | 450,387,581 | 59,789,613 | 510,177,194 | 434,398,586 | 14.9% | | |
| 2029 | 7.0% | 500 | 30,758,258 | 60,142,732 | 82,118,226 | 8,782,764 | 0 | 0 | 79,694,959 | 79,694,959 | 419,274,001 | 62,946,323 | 482,220,324 | 402,525,365 | 16.5% | | |
| 2030 | 7.0% | 500 | 32,354,150 | 46,233,008 | 69,540,911 | 9,046,247 | 0 | 0 | 83,704,608 | 83,704,608 | 400,069,997 | 66,028,117 | 466,098,114 | 382,393,506 | 18.0% | | |
| 2031 | 7.0% | 500 | 33,979,147 | 34,664,445 | 59,325,958 | 9,317,634 | 0 | 0 | 87,965,029 | 87,965,029 | 391,298,294 | 68,904,313 | 460,202,607 | 372,237,578 | 19.1% | | |
| 2032 | 7.0% | 500 | 35,721,950 | 25,426,979 | 51,551,766 | 9,597,163 | 0 | 0 | 92,378,265 | 92,378,265 | 391,169,065 | 71,497,673 | 462,666,738 | 370,288,472 | 20.0% | | |
| 2033 | 7.0% | 500 | 37,508,093 | 18,921,727 | 46,544,742 | 9,885,078 | 0 | 0 | 96,966,473 | 96,966,473 | 397,466,159 | 73,985,024 | 471,451,183 | 374,484,709 | 20.6% | | |
| 2034 | 7.0% | 500 | 39,362,149 | 14,287,213 | 43,467,732 | 10,181,630 | 0 | 0 | 101,858,445 | 101,858,445 | 408,779,907 | 76,249,175 | 485,029,082 | 383,170,637 | 21.0% | | |
| 2035 | 7.0% | 500 | 41,362,908 | 11,232,832 | 42,108,661 | 10,487,079 | 0 | 0 | 106,911,154 | 106,911,154 | 423,675,235 | 78,266,784 | 501,942,019 | 395,030,865 | 21.3% | | |
| 2036 | 7.0% | 500 | 43,404,150 | 9,158,339 | 41,760,798 | 10,801,691 | 0 | 0 | 112,307,496 | 112,307,496 | 441,513,353 | 80,084,635 | 521,597,988 | 409,290,492 | 21.5% | | |
| 2037 | 7.0% | 500 | 45,611,133 | 7,809,201 | 42,294,592 | 11,125,742 | 0 | 0 | 117,834,327 | 117,834,327 | 461,540,070 | 81,796,506 | 543,336,576 | 425,102,249 | 21.7% | | |
| 2038 | 7.0% | 500 | 47,829,757 | 7,142,932 | 43,513,175 | 11,459,514 | 0 | 0 | 123,840,823 | 123,840,823 | 483,458,294 | 83,514,345 | 566,972,639 | 443,131,816 | 21.9% | | |
| 2039 | 7.0% | 500 | 50,305,560 | 6,552,369 | 45,054,629 | 11,803,300 | 0 | 0 | 129,928,896 | 129,928,896 | 506,945,047 | 85,344,653 | 592,289,700 | 462,360,804 | 21.9% | | |
| 2040 | 7.0% | 500 | 52,741,164 | 6,329,887 | 46,913,652 | 12,157,399 | 0 | 0 | 136,535,311 | 136,535,311 | 532,067,100 | 87,369,778 | 619,436,878 | 482,901,567 | 22.0% | | |
| 2041 | 7.0% | 500 | 55,458,675 | 6,153,305 | 49,089,859 | 12,522,121 | 0 | 0 | 143,240,611 | 143,240,611 | 558,490,523 | 89,624,480 | 648,115,003 | 504,874,392 | 22.1% | | |
| 2042 | 7.0% | 500 | 58,141,220 | 6,245,306 | 51,488,741 | 12,897,785 | 0 | 0 | 150,477,160 | 150,477,160 | 586,361,397 | 92,157,013 | 678,518,410 | 528,041,250 | 22.2% | | |
| 2043 | 7.0% | 500 | 61,112,634 | 6,189,032 | 54,016,948 | 13,284,718 | 0 | 0 | 157,992,350 | 157,992,350 | 615,653,876 | 94,948,027 | 710,601,903 | 552,609,553 | 22.2% | | |
| 2044 | 7.0% | 500 | 64,153,702 | 6,232,959 | 56,703,401 | 13,683,260 | 0 | 0 | 165,899,450 | 165,899,450 | 646,425,318 | 97,982,247 | 744,407,565 | 578,508,116 | 22.3% | | |
| 2045 | 7.0% | 500 | 67,366,608 | 6,251,638 | 59,524,489 | 14,093,757 | 0 | 0 | 174,183,657 | 174,183,657 | 678,739,309 | 101,218,408 | 779,957,717 | 605,774,060 | 22.3% | | |
| 2046 | 7.0% | 500 | 70,723,625 | 6,290,612 | 62,497,667 | 14,516,570 | 0 | 0 | 182,896,346 | 182,896,346 | 712,674,079 | 104,625,093 | 817,299,172 | 634,402,826 | 22.4% | | |
| 2047 | 7.0% | 500 | 74,265,797 | 6,307,538 | 65,621,268 | 14,952,064 | 0 | 0 | 192,040,264 | 192,040,264 | 748,307,892 | 108,151,948 | 856,459,840 | 664,419,517 | 22.4% | | |
| 2048 | 7.0% | 500 | 77,978,105 | 6,324,380 | 68,901,856 | 15,400,629 | 0 | 0 | 201,641,879 | 201,641,879 | 785,723,566 | 111,751,245 | 897,474,811 | 695,832,932 | 22.5% | | |
| 2049 | 7.0% | 500 | 81,876,895 | 6,332,661 | 72,346,908 | 15,862,648 | 0 | 0 | 211,723,945 | 211,723,945 | 825,010,289 | 115,383,553 | 940,393,842 | 728,669,896 | 22.5% | | |
| 2050 | 7.0% | 500 | 85,970,155 | 6,332,980 | 75,964,607 | 16,338,528 | 0 | 0 | 222,310,234 | 222,310,234 | 866,260,666 | 119,024,651 | 985,285,317 | 762,975,083 | 22.6% | | |

¹ Additional contributions in the amount of \$521,169,632 are needed over the years 2026 through 2050 to maintain solvency.

Section B

Exhibit VI

Continuing Business Model – Current Year Assumptions – New Contract Sales of 1,000 Per Year

Open Group Projections (Continuing Business Scenario)

Projection Based on Data as of June 30, 2015

Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2015

7.00% Assumed Net Investment Return

1,000 New Contracts Per Year

| Year Ending 6/30 | Assumed Net Return | Annual New Contracts | Assets | | | | Liabilities | | | | Funded Ratio | | | | |
|------------------|--------------------|----------------------|--|-------------------------------------|-------------------------|-----------------------|------------------------------|-------------------------------|--------------------------------|--|---------------|--|--|--------------------|-------|
| | | | Additional Required Solvency Contributions | Tuition Payments, Refunds, and Fees | Administrative Expenses | Net Investment Return | Market Value of Assets (EOY) | Value of Future Contributions | Total Fund Assets (MVA + PVFC) | Total Present Value of Future Benefits | | Present Value of Future Admin Expenses | Total Present Value of Future Benefits, Fees, and Expenses | Unfunded Liability | |
| 2015 | | | 33,221,359 | 0 | 137,976,098 | 6,763,344 | 40,595,999 | 1,025,385,432 | 59,821,556 | 1,085,206,988 | 1,320,201,957 | 57,116,212 | 1,377,318,169 | 292,111,181 | 78.8% |
| 2016 | 7.00% | 1,000 | 18,270,942 | 0 | 163,506,101 | 5,951,743 | 66,485,439 | 940,683,970 | 75,778,187 | 1,016,462,157 | 1,267,110,337 | 55,133,501 | 1,322,243,838 | 305,781,681 | 76.9% |
| 2017 | 7.00% | 1,000 | 31,792,419 | 0 | 157,403,196 | 6,160,054 | 61,235,899 | 870,149,038 | 80,872,721 | 951,021,759 | 1,217,807,273 | 53,147,031 | 1,270,954,304 | 319,932,545 | 74.8% |
| 2018 | 7.00% | 1,000 | 33,627,716 | 0 | 159,247,863 | 6,344,855 | 56,291,658 | 794,475,694 | 86,316,974 | 880,792,668 | 1,164,395,306 | 51,556,447 | 1,215,951,753 | 335,159,085 | 72.4% |
| 2019 | 7.00% | 1,000 | 35,676,216 | 0 | 161,398,147 | 6,535,201 | 50,984,299 | 713,202,861 | 91,987,403 | 805,190,264 | 1,106,305,991 | 50,376,539 | 1,156,682,530 | 351,492,266 | 69.6% |
| 2020 | 7.00% | 1,000 | 37,646,799 | 0 | 155,053,932 | 6,731,257 | 45,579,357 | 634,643,828 | 98,104,413 | 732,748,241 | 1,052,071,322 | 49,612,056 | 1,101,683,378 | 368,935,137 | 66.5% |
| 2021 | 7.00% | 1,000 | 40,813,545 | 0 | 149,511,803 | 6,933,195 | 40,377,967 | 559,390,342 | 103,639,876 | 663,030,218 | 1,001,242,156 | 49,248,622 | 1,050,490,778 | 387,460,560 | 63.1% |
| 2022 | 7.00% | 1,000 | 43,560,398 | 0 | 150,523,993 | 7,141,191 | 35,163,656 | 480,449,212 | 109,047,372 | 589,496,584 | 947,298,700 | 49,259,232 | 996,557,952 | 407,061,368 | 59.2% |
| 2023 | 7.00% | 1,000 | 45,552,404 | 0 | 149,484,703 | 7,355,426 | 29,736,374 | 398,897,861 | 114,935,311 | 513,833,172 | 892,239,276 | 49,603,710 | 941,842,986 | 428,009,814 | 54.6% |
| 2024 | 7.00% | 1,000 | 47,487,835 | 0 | 146,809,705 | 7,576,089 | 24,181,422 | 316,181,324 | 121,497,431 | 437,678,755 | 837,752,223 | 50,236,095 | 887,988,318 | 450,309,563 | 49.3% |
| 2025 | 7.00% | 1,000 | 49,641,953 | 0 | 139,309,004 | 7,803,472 | 18,721,228 | 237,432,129 | 136,081,256 | 298,245,396 | 745,047,216 | 51,756,194 | 840,712,237 | 474,607,124 | 43.5% |
| 2026 | 7.00% | 1,000 | 52,284,817 | 0 | 133,028,250 | 8,037,473 | 13,512,917 | 162,164,140 | 143,608,520 | 241,128,881 | 713,080,121 | 53,988,069 | 799,035,285 | 500,789,889 | 37.3% |
| 2027 | 7.00% | 1,000 | 55,271,899 | 0 | 120,418,682 | 8,278,597 | 8,781,601 | 97,520,361 | 151,318,732 | 194,734,693 | 693,116,333 | 59,789,613 | 752,905,946 | 528,688,036 | 31.3% |
| 2028 | 7.00% | 1,000 | 58,239,244 | 0 | 108,582,652 | 8,526,955 | 4,765,963 | 43,415,961 | 159,278,247 | 159,278,247 | 685,366,478 | 62,946,323 | 748,312,801 | 558,171,252 | 25.9% |
| 2029 | 7.00% | 1,000 | 61,332,598 | 51,621 | 97,485,589 | 8,782,764 | 1,468,173 | 0 | 167,431,517 | 167,431,517 | 689,657,517 | 66,028,117 | 755,685,634 | 589,034,554 | 21.3% |
| 2030 | 7.00% | 1,000 | 64,596,411 | 31,905,398 | 87,455,562 | 9,046,247 | 0 | 0 | 175,900,063 | 175,900,063 | 704,476,206 | 68,904,313 | 773,380,519 | 597,480,456 | 22.2% |
| 2031 | 7.00% | 1,000 | 67,975,267 | 21,206,456 | 79,864,089 | 9,317,634 | 0 | 0 | 184,694,760 | 184,694,760 | 728,033,882 | 71,497,673 | 799,531,555 | 614,836,795 | 23.1% |
| 2032 | 7.00% | 1,000 | 71,425,858 | 12,930,154 | 74,758,849 | 9,597,163 | 0 | 0 | 193,953,786 | 193,953,786 | 758,179,087 | 73,985,024 | 832,164,111 | 665,824,343 | 23.4% |
| 2033 | 7.00% | 1,000 | 74,983,018 | 7,386,787 | 72,484,727 | 9,885,078 | 0 | 0 | 203,691,791 | 203,691,791 | 793,266,939 | 76,249,175 | 910,083,720 | 696,205,202 | 23.5% |
| 2034 | 7.00% | 1,000 | 78,748,005 | 3,819,844 | 72,386,219 | 10,181,630 | 0 | 0 | 224,546,826 | 224,546,826 | 873,291,383 | 80,084,635 | 995,078,001 | 728,829,191 | 23.6% |
| 2035 | 7.00% | 1,000 | 82,710,828 | 1,929,564 | 74,153,313 | 10,487,079 | 0 | 0 | 235,793,637 | 235,793,637 | 917,281,495 | 81,796,506 | 1,046,981,422 | 763,284,364 | 23.6% |
| 2036 | 7.00% | 1,000 | 86,845,367 | 757,654 | 76,801,330 | 10,801,691 | 1,676 | 49,556 | 247,550,524 | 247,550,524 | 963,467,077 | 83,514,345 | 1,097,409,035 | 837,065,964 | 23.7% |
| 2037 | 7.00% | 1,000 | 91,170,752 | 182,124 | 80,227,134 | 11,125,742 | 12,625 | 323,770 | 260,019,301 | 260,019,301 | 1,012,064,382 | 85,344,643 | 1,150,349,545 | 876,542,682 | 23.8% |
| 2038 | 7.00% | 1,000 | 95,746,263 | 0 | 84,238,869 | 11,459,514 | 42,014 | 918,631 | 272,888,232 | 272,888,232 | 1,062,979,767 | 87,369,778 | 1,206,071,867 | 917,823,812 | 23.9% |
| 2039 | 7.00% | 1,000 | 100,512,517 | 0 | 88,447,628 | 11,803,300 | 143,130 | 1,619,709 | 286,628,346 | 286,628,346 | 1,116,447,387 | 89,624,480 | 1,264,599,013 | 961,059,502 | 24.0% |
| 2040 | 7.00% | 1,000 | 105,598,548 | 0 | 92,888,302 | 12,157,399 | 85,838 | 2,612,841 | 300,926,670 | 300,926,670 | 1,172,442,000 | 92,157,013 | 1,390,775,988 | 1,006,260,246 | 24.1% |
| 2041 | 7.00% | 1,000 | 110,782,595 | 0 | 102,651,200 | 12,897,785 | 143,130 | 3,874,516 | 316,162,020 | 316,162,020 | 1,231,201,284 | 94,948,027 | 1,458,672,941 | 1,102,755,088 | 24.2% |
| 2042 | 7.00% | 1,000 | 116,398,987 | 0 | 107,861,654 | 13,284,718 | 219,379 | 5,518,877 | 331,761,020 | 331,761,020 | 1,292,793,741 | 97,982,247 | 1,529,964,647 | 1,207,452,500 | 24.3% |
| 2043 | 7.00% | 1,000 | 122,188,668 | 0 | 113,316,875 | 13,683,260 | 317,651 | 7,547,988 | 348,369,865 | 348,369,865 | 1,357,454,533 | 101,218,408 | 1,604,765,466 | 1,320,447,620 | 24.4% |
| 2044 | 7.00% | 1,000 | 128,326,845 | 0 | 119,019,499 | 14,093,757 | 441,875 | 10,106,562 | 365,785,911 | 365,785,911 | 1,425,339,554 | 104,625,093 | 1,683,198,341 | 1,458,672,941 | 24.6% |
| 2045 | 7.00% | 1,000 | 134,700,492 | 0 | 124,979,896 | 14,516,570 | 597,014 | 13,236,021 | 384,076,939 | 384,076,939 | 1,496,613,518 | 108,151,948 | 1,765,403,953 | 1,545,072,173 | 24.6% |
| 2046 | 7.00% | 1,000 | 141,458,026 | 0 | 131,235,664 | 14,952,067 | 789,363 | 17,013,451 | 403,279,291 | 403,279,291 | 1,571,447,096 | 111,751,245 | 1,851,546,171 | 1,629,905,599 | 25.0% |
| 2047 | 7.00% | 1,000 | 148,527,827 | 0 | 137,800,621 | 15,400,629 | 1,022,929 | 21,510,910 | 423,445,422 | 423,445,422 | 1,650,020,400 | 115,383,553 | 1,902,403,953 | 1,702,452,500 | 25.2% |
| 2048 | 7.00% | 1,000 | 155,955,751 | 0 | 144,693,254 | 15,862,648 | 1,302,756 | 26,818,527 | 444,956,332 | 444,956,332 | 1,732,521,520 | 119,024,651 | 2,000,046,651 | 1,880,110,308 | 25.5% |
| 2049 | 7.00% | 1,000 | 163,750,605 | 0 | 151,928,516 | 16,338,528 | 1,634,329 | 0 | 444,617,336 | 444,617,336 | 1,818,546,171 | 0 | 2,100,092,847 | 1,950,000,000 | 25.5% |
| 2050 | 7.00% | 1,000 | 171,940,332 | 0 | 151,928,516 | 16,338,528 | 1,634,329 | 0 | 444,617,336 | 444,617,336 | 1,818,546,171 | 0 | 2,100,092,847 | 1,950,000,000 | 25.5% |

¹ Additional contributions in the amount of \$80,169,602 are needed over the years 2029 through 2037 to maintain solvency.

Section B

**Exhibit VII
Continuing Business Model – Current Year Assumptions – New Contract Sales of 1,500 Per Year**

Open Group Projections (Continuing Business Scenario)
 Projection Based on Data as of June 30, 2015
 Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2015
 7.00% Assumed Net Investment Return
 1,500 New Contracts Per Year

| Year Ending 6/30 | Assumed Net Return | Annual New Contracts | Additional | | | | Assets | | | | Liabilities | | | | Funded Ratio | |
|------------------|--------------------|----------------------|---------------|---------------|-------------------|-------------------------------------|-------------------------|-----------------------|------------------------------|---|--------------------------------|--|--|--|--------------|--------------------|
| | | | Contributions | Contributions | Required Solvency | Tuition Payments, Refunds, and Fees | Administrative Expenses | Net Investment Return | Market Value of Assets (EOY) | Total Present Value of Future Contributions | Total Fund Assets (MVA + PVFC) | Total Present Value of Future Benefits | Present Value of Future Admin Expenses | Total Present Value of Future Benefits, Fees, and Expenses | | Unfunded Liability |
| 2015 | | | 33,221,359 | 0 | 0 | 137,976,098 | 6,763,344 | 40,595,999 | 1,025,385,432 | 59,821,556 | 1,085,206,988 | 1,320,201,957 | 57,116,212 | 1,377,318,169 | 292,111,181 | 78.8% |
| 2016 | 7.00% | 1,500 | 18,270,942 | 0 | 0 | 163,506,101 | 5,951,743 | 66,485,439 | 940,683,970 | 91,117,385 | 1,031,801,355 | 1,278,927,217 | 55,133,501 | 1,334,060,718 | 302,259,363 | 77.3% |
| 2017 | 7.00% | 1,500 | 41,223,013 | 0 | 0 | 157,415,383 | 6,160,054 | 61,565,543 | 879,897,089 | 103,862,477 | 983,759,566 | 1,242,843,150 | 53,147,031 | 1,295,990,181 | 312,230,615 | 75.9% |
| 2018 | 7.00% | 1,500 | 45,137,354 | 0 | 0 | 159,557,864 | 6,344,855 | 57,366,008 | 816,497,732 | 116,276,317 | 932,774,049 | 1,203,883,887 | 51,556,447 | 1,255,440,334 | 322,666,285 | 74.3% |
| 2019 | 7.00% | 1,500 | 49,281,769 | 0 | 0 | 162,022,393 | 6,535,201 | 52,980,187 | 750,202,094 | 128,238,977 | 878,441,071 | 1,161,592,450 | 50,376,539 | 1,211,968,989 | 333,527,918 | 72.5% |
| 2020 | 7.00% | 1,500 | 53,442,792 | 0 | 0 | 156,197,634 | 6,731,257 | 48,682,133 | 689,398,128 | 139,888,556 | 829,286,684 | 1,124,419,478 | 49,612,056 | 1,174,031,534 | 344,744,850 | 70.6% |
| 2021 | 7.00% | 1,500 | 58,901,013 | 0 | 0 | 151,248,635 | 6,933,195 | 44,783,040 | 634,900,351 | 150,054,882 | 784,955,233 | 1,091,929,090 | 49,248,622 | 1,141,177,712 | 356,222,478 | 68.8% |
| 2022 | 7.00% | 1,500 | 63,184,530 | 0 | 0 | 153,099,936 | 7,141,191 | 41,046,044 | 578,889,798 | 160,011,364 | 738,901,162 | 1,057,500,723 | 49,259,252 | 1,106,759,975 | 367,858,814 | 66.8% |
| 2023 | 7.00% | 1,500 | 66,777,308 | 0 | 0 | 153,178,350 | 7,355,426 | 37,240,809 | 522,374,139 | 170,205,366 | 692,579,505 | 1,022,968,522 | 49,603,710 | 1,072,572,232 | 379,992,727 | 64.6% |
| 2024 | 7.00% | 1,500 | 70,242,309 | 0 | 0 | 151,889,139 | 7,576,089 | 33,443,388 | 466,594,608 | 180,919,753 | 647,514,361 | 989,838,170 | 50,236,095 | 1,040,074,265 | 392,559,903 | 62.3% |
| 2025 | 7.00% | 1,500 | 73,916,913 | 0 | 0 | 146,030,356 | 7,803,372 | 29,864,534 | 416,542,327 | 192,162,513 | 608,704,840 | 963,072,676 | 51,756,194 | 1,014,828,870 | 406,124,030 | 60.0% |
| 2026 | 7.00% | 1,500 | 78,084,712 | 0 | 0 | 141,666,839 | 8,037,473 | 26,651,277 | 371,574,004 | 203,613,099 | 575,187,103 | 941,682,745 | 53,988,069 | 995,670,814 | 420,483,711 | 57.8% |
| 2027 | 7.00% | 1,500 | 82,642,068 | 0 | 0 | 131,143,930 | 8,278,597 | 24,022,864 | 338,816,409 | 215,073,018 | 553,889,427 | 932,555,203 | 56,736,796 | 989,291,999 | 435,402,572 | 56.0% |
| 2028 | 7.00% | 1,500 | 87,146,939 | 0 | 0 | 121,517,630 | 8,526,955 | 22,215,731 | 318,134,494 | 226,891,229 | 545,025,723 | 935,836,459 | 59,789,613 | 995,626,072 | 450,600,349 | 54.7% |
| 2029 | 7.00% | 1,500 | 91,936,262 | 0 | 0 | 112,849,392 | 8,782,764 | 21,230,058 | 309,668,658 | 238,864,329 | 548,532,987 | 951,452,303 | 62,946,633 | 1,014,398,626 | 465,865,640 | 54.1% |
| 2030 | 7.00% | 1,500 | 96,840,212 | 0 | 0 | 105,368,140 | 9,046,247 | 21,061,710 | 313,156,193 | 251,159,244 | 564,315,437 | 979,239,642 | 66,028,117 | 1,045,267,759 | 480,952,322 | 54.0% |
| 2031 | 7.00% | 1,500 | 101,971,013 | 0 | 0 | 100,398,936 | 9,317,634 | 21,649,839 | 327,060,475 | 263,831,160 | 590,891,635 | 1,017,647,930 | 68,904,313 | 1,086,552,243 | 495,660,608 | 54.4% |
| 2032 | 7.00% | 1,500 | 107,123,706 | 0 | 0 | 97,964,049 | 9,597,163 | 22,878,921 | 349,501,890 | 277,014,296 | 626,516,186 | 1,064,894,747 | 71,497,673 | 1,136,392,420 | 509,876,233 | 55.1% |
| 2033 | 7.00% | 1,500 | 112,461,091 | 0 | 0 | 98,423,000 | 9,885,078 | 24,610,488 | 378,265,391 | 290,940,790 | 669,206,181 | 1,118,889,331 | 73,985,024 | 1,192,874,355 | 523,668,173 | 55.6% |
| 2034 | 7.00% | 1,500 | 118,133,544 | 0 | 0 | 101,303,138 | 10,181,630 | 26,711,285 | 411,625,452 | 305,523,848 | 717,149,300 | 1,177,751,818 | 76,249,175 | 1,254,000,993 | 536,851,693 | 57.2% |
| 2035 | 7.00% | 1,500 | 124,057,886 | 0 | 0 | 106,196,774 | 10,487,079 | 29,071,873 | 448,071,358 | 320,843,783 | 768,915,141 | 1,239,956,342 | 78,266,784 | 1,318,223,126 | 549,307,985 | 58.3% |
| 2036 | 7.00% | 1,500 | 130,285,153 | 0 | 0 | 111,840,512 | 10,801,691 | 31,632,498 | 487,346,806 | 336,868,280 | 824,215,086 | 1,305,129,111 | 80,084,635 | 1,385,213,746 | 560,998,660 | 59.5% |
| 2037 | 7.00% | 1,500 | 136,781,416 | 0 | 0 | 118,157,866 | 11,125,742 | 34,376,700 | 529,221,314 | 353,700,477 | 882,921,791 | 1,373,024,505 | 81,796,506 | 1,454,821,011 | 571,899,220 | 60.7% |
| 2038 | 7.00% | 1,500 | 143,616,734 | 0 | 0 | 124,965,625 | 11,459,514 | 37,297,198 | 573,710,107 | 371,348,301 | 945,058,408 | 1,443,547,263 | 83,514,345 | 1,527,061,608 | 582,003,200 | 61.9% |
| 2039 | 7.00% | 1,500 | 150,778,117 | 0 | 0 | 131,840,898 | 11,803,300 | 40,409,395 | 621,253,421 | 389,948,758 | 1,011,202,179 | 1,517,117,252 | 85,344,653 | 1,602,461,905 | 591,259,726 | 63.1% |
| 2040 | 7.00% | 1,500 | 158,344,897 | 0 | 0 | 138,864,690 | 12,157,399 | 43,744,038 | 672,320,267 | 409,388,055 | 1,081,708,322 | 1,593,969,232 | 87,369,778 | 1,681,339,010 | 599,630,689 | 64.3% |
| 2041 | 7.00% | 1,500 | 166,221,637 | 0 | 0 | 146,198,894 | 12,522,121 | 47,324,940 | 727,145,828 | 429,948,812 | 1,157,094,641 | 1,674,410,968 | 89,624,408 | 1,764,035,448 | 606,940,806 | 65.6% |
| 2042 | 7.00% | 1,500 | 174,596,613 | 0 | 0 | 153,817,871 | 12,897,785 | 51,176,042 | 786,202,828 | 451,374,061 | 1,237,576,889 | 1,758,531,039 | 92,157,013 | 1,850,688,052 | 613,111,163 | 66.9% |
| 2043 | 7.00% | 1,500 | 183,269,119 | 0 | 0 | 161,707,617 | 13,284,718 | 55,323,885 | 849,803,497 | 474,029,634 | 1,323,833,131 | 1,846,756,215 | 94,948,027 | 1,941,704,242 | 617,871,111 | 68.2% |
| 2044 | 7.00% | 1,500 | 192,494,542 | 0 | 0 | 169,935,629 | 13,683,260 | 59,796,893 | 918,476,043 | 497,632,237 | 1,416,108,280 | 1,939,172,395 | 97,982,247 | 2,037,154,642 | 621,046,362 | 69.5% |
| 2045 | 7.00% | 1,500 | 202,046,043 | 0 | 0 | 178,516,462 | 14,093,757 | 64,623,577 | 992,535,444 | 522,548,543 | 1,515,083,987 | 2,036,175,383 | 104,625,093 | 2,137,393,791 | 622,309,805 | 70.9% |
| 2046 | 7.00% | 1,500 | 212,184,736 | 0 | 0 | 187,464,235 | 14,516,570 | 69,834,619 | 1,072,573,994 | 548,674,694 | 1,621,248,688 | 2,138,008,369 | 106,218,408 | 2,242,633,462 | 621,384,774 | 72.3% |
| 2047 | 7.00% | 1,500 | 222,790,136 | 0 | 0 | 196,852,328 | 14,952,067 | 75,464,681 | 1,159,024,436 | 576,115,164 | 1,735,139,600 | 2,244,922,349 | 108,151,948 | 2,353,074,297 | 617,934,697 | 73.7% |
| 2048 | 7.00% | 1,500 | 233,934,958 | 0 | 0 | 206,701,116 | 15,400,629 | 81,545,873 | 1,252,403,522 | 604,917,377 | 1,857,320,899 | 2,357,172,727 | 111,751,245 | 2,468,923,972 | 611,603,073 | 75.2% |
| 2049 | 7.00% | 1,500 | 245,625,244 | 0 | 0 | 217,040,460 | 15,862,648 | 88,113,521 | 1,353,239,179 | 635,167,980 | 1,988,407,159 | 2,475,032,837 | 115,383,553 | 2,590,416,390 | 602,009,231 | 76.8% |
| 2050 | 7.00% | 1,500 | 257,910,953 | 0 | 0 | 227,893,444 | 16,338,528 | 95,205,507 | 1,462,123,667 | 666,924,992 | 2,129,048,659 | 2,598,783,705 | 119,024,651 | 2,717,808,356 | 588,759,697 | 78.3% |

Section B

**Exhibit VIII
Continuing Business Model – Current Year Assumptions – New Contract Sales of 2,500 Per Year**

**Open Group Projections (Continuing Business Scenario)
Projection Based on Data as of June 30, 2015
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2015
7.00% Assumed Net Investment Return
2,500 New Contracts Per Year**

| Year Ending 6/30 | Assumed Net Return | Annual New Contracts | Additional Required Solvency Contributions | | | Tuition Payments, Refunds, and Fees | Administrative Expenses | Net Investment Return | Market Value of Assets (EOY) | Total Present Value of Future Contributions | Total Fund Assets (MVA + PVFC) | Liabilities | | | Funded Ratio |
|------------------|--------------------|----------------------|--|---------------|---------------|-------------------------------------|-------------------------|-----------------------|------------------------------|---|--------------------------------|--|--|--------------------|--------------|
| | | | Contributions | Contributions | Contributions | | | | | | | Total Present Value of Future Benefits, Fees, and Expenses | Total Present Value of Future Admin Expenses | Unfunded Liability | |
| 2015 | | | 33,221,359 | 0 | 137,976,098 | 6,763,344 | 40,595,999 | 1,025,385,432 | 59,821,556 | 1,320,201,957 | 1,085,206,988 | 57,116,212 | 1,377,318,169 | 292,111,181 | 78.8% |
| 2016 | 7.00% | 2,500 | 18,270,942 | 0 | 163,506,101 | 5,951,743 | 66,485,439 | 940,683,970 | 121,795,781 | 1,302,560,977 | 1,062,479,751 | 55,133,501 | 1,357,694,478 | 295,214,727 | 78.3% |
| 2017 | 7.00% | 2,500 | 60,084,202 | 0 | 157,439,756 | 6,160,054 | 62,224,832 | 899,393,194 | 149,874,662 | 1,299,939,719 | 1,049,267,856 | 53,147,031 | 1,346,086,750 | 296,818,894 | 77.9% |
| 2018 | 7.00% | 2,500 | 68,176,718 | 0 | 160,177,893 | 6,344,855 | 59,515,413 | 860,562,577 | 176,210,420 | 1,282,888,507 | 1,036,772,997 | 51,556,447 | 1,334,444,954 | 297,671,957 | 77.7% |
| 2019 | 7.00% | 2,500 | 76,496,763 | 0 | 163,271,511 | 6,535,201 | 56,973,532 | 824,226,160 | 200,755,732 | 1,272,194,948 | 1,024,981,892 | 50,376,539 | 1,322,571,487 | 297,589,595 | 77.5% |
| 2020 | 7.00% | 2,500 | 85,038,629 | 0 | 158,485,690 | 6,731,257 | 54,889,590 | 798,937,432 | 223,429,807 | 1,269,118,808 | 1,022,367,239 | 49,612,056 | 1,318,730,864 | 296,363,625 | 77.5% |
| 2021 | 7.00% | 2,500 | 95,056,016 | 0 | 154,723,340 | 6,933,195 | 53,594,602 | 785,931,515 | 242,918,340 | 1,273,335,930 | 1,028,849,855 | 49,248,622 | 1,322,584,552 | 293,734,696 | 77.8% |
| 2022 | 7.00% | 2,500 | 102,457,983 | 0 | 158,252,337 | 7,141,191 | 52,812,462 | 775,808,432 | 261,951,356 | 1,277,941,191 | 1,037,759,788 | 49,259,252 | 1,327,200,443 | 289,440,655 | 78.2% |
| 2023 | 7.00% | 2,500 | 109,230,305 | 0 | 160,567,370 | 7,355,426 | 52,252,353 | 769,368,294 | 280,712,837 | 1,284,433,272 | 1,050,081,131 | 49,603,710 | 1,334,036,982 | 283,955,851 | 78.7% |
| 2024 | 7.00% | 2,500 | 115,727,136 | 0 | 162,049,817 | 7,576,089 | 51,969,324 | 767,438,848 | 299,755,007 | 1,294,015,316 | 1,067,193,855 | 50,236,095 | 1,344,251,411 | 277,057,556 | 79.4% |
| 2025 | 7.00% | 2,500 | 122,464,728 | 0 | 159,474,986 | 7,803,372 | 52,152,242 | 774,777,460 | 319,136,933 | 1,311,311,939 | 1,093,914,393 | 51,756,194 | 1,363,068,133 | 269,153,739 | 80.3% |
| 2026 | 7.00% | 2,500 | 129,686,080 | 0 | 158,946,016 | 8,037,473 | 52,929,013 | 790,409,064 | 338,620,093 | 1,334,921,433 | 1,129,029,157 | 53,988,069 | 1,388,909,502 | 259,880,344 | 81.3% |
| 2027 | 7.00% | 2,500 | 137,349,196 | 0 | 152,596,392 | 8,278,597 | 54,505,232 | 821,388,503 | 358,140,258 | 1,371,589,307 | 1,179,528,761 | 56,736,796 | 1,428,326,103 | 248,797,343 | 82.6% |
| 2028 | 7.00% | 2,500 | 145,056,215 | 0 | 147,389,005 | 8,526,955 | 57,117,104 | 867,645,862 | 377,919,568 | 1,421,242,320 | 1,245,565,430 | 59,789,613 | 1,481,031,933 | 235,466,502 | 84.1% |
| 2029 | 7.00% | 2,500 | 153,051,479 | 0 | 143,580,872 | 8,782,764 | 60,759,285 | 929,092,992 | 398,066,552 | 1,483,626,830 | 1,424,251,880 | 62,946,323 | 1,546,573,153 | 219,413,611 | 85.8% |
| 2030 | 7.00% | 2,500 | 161,358,919 | 0 | 141,193,376 | 9,046,247 | 65,425,685 | 1,005,637,971 | 418,613,909 | 1,558,406,316 | 1,496,727,802 | 66,028,117 | 1,624,434,433 | 200,182,553 | 87.7% |
| 2031 | 7.00% | 2,500 | 169,962,187 | 0 | 141,471,388 | 9,317,634 | 71,065,719 | 1,095,876,855 | 439,698,728 | 1,643,995,436 | 1,535,575,583 | 68,904,313 | 1,712,899,749 | 177,324,165 | 89.6% |
| 2032 | 7.00% | 2,500 | 178,525,936 | 0 | 144,374,691 | 9,597,163 | 77,570,773 | 1,198,001,710 | 461,717,973 | 1,738,668,662 | 1,659,719,683 | 71,497,673 | 1,810,166,335 | 150,446,652 | 91.7% |
| 2033 | 7.00% | 2,500 | 187,452,023 | 0 | 150,300,777 | 9,885,078 | 84,814,436 | 1,310,082,314 | 484,952,826 | 1,840,367,966 | 1,795,035,140 | 73,985,024 | 1,914,352,990 | 119,317,850 | 93.8% |
| 2034 | 7.00% | 2,500 | 196,917,457 | 0 | 159,139,048 | 10,181,630 | 92,671,649 | 1,430,350,742 | 509,141,963 | 1,946,727,802 | 1,939,492,705 | 76,249,175 | 2,022,976,977 | 83,484,272 | 95.9% |
| 2035 | 7.00% | 2,500 | 206,713,602 | 0 | 170,286,128 | 10,487,079 | 101,032,466 | 1,557,323,603 | 534,684,538 | 2,056,180,502 | 2,092,008,141 | 78,266,784 | 2,134,447,286 | 42,439,145 | 98.0% |
| 2036 | 7.00% | 2,500 | 217,115,361 | 0 | 181,920,504 | 10,801,691 | 109,866,413 | 1,691,583,182 | 561,380,414 | 2,168,681,531 | 2,252,963,596 | 80,084,635 | 2,248,766,166 | -4,197,430 | 100.2% |
| 2037 | 7.00% | 2,500 | 227,941,599 | 0 | 194,019,731 | 11,125,742 | 119,208,687 | 1,833,587,995 | 589,521,628 | 2,284,440,145 | 2,423,109,623 | 81,796,506 | 2,366,236,651 | -56,872,972 | 102.4% |
| 2038 | 7.00% | 2,500 | 239,389,837 | 0 | 206,416,708 | 11,459,514 | 129,104,136 | 1,984,205,746 | 618,914,814 | 2,403,632,075 | 2,603,120,560 | 83,514,345 | 2,487,146,420 | -115,974,140 | 104.7% |
| 2039 | 7.00% | 2,500 | 251,295,589 | 0 | 218,626,178 | 11,803,300 | 139,624,716 | 2,144,696,573 | 649,887,790 | 2,527,214,540 | 2,794,584,363 | 85,344,653 | 2,612,559,193 | -182,025,170 | 107.0% |
| 2040 | 7.00% | 2,500 | 263,889,476 | 0 | 230,816,450 | 12,157,399 | 150,860,807 | 2,316,473,007 | 682,419,665 | 2,655,940,101 | 2,998,892,672 | 87,369,778 | 2,743,309,879 | -255,582,793 | 109.3% |
| 2041 | 7.00% | 2,500 | 277,105,425 | 0 | 243,304,496 | 12,522,121 | 162,897,869 | 2,500,649,684 | 716,503,117 | 2,790,247,039 | 3,217,152,801 | 89,624,480 | 2,879,871,519 | -337,281,282 | 111.7% |
| 2042 | 7.00% | 2,500 | 290,931,915 | 0 | 256,146,913 | 12,897,785 | 175,811,530 | 2,698,348,431 | 752,339,288 | 2,930,690,212 | 3,450,687,719 | 92,157,013 | 3,022,847,232 | -427,840,487 | 114.2% |
| 2043 | 7.00% | 2,500 | 305,486,592 | 0 | 269,393,122 | 13,284,718 | 189,682,696 | 2,910,839,879 | 789,951,866 | 3,077,761,026 | 3,700,791,745 | 94,948,027 | 3,172,709,053 | -528,082,693 | 116.6% |
| 2044 | 7.00% | 2,500 | 320,759,425 | 0 | 283,167,000 | 13,683,260 | 204,595,612 | 3,139,344,656 | 829,448,274 | 3,231,909,664 | 3,968,792,930 | 97,982,247 | 3,329,891,911 | -638,901,019 | 119.2% |
| 2045 | 7.00% | 2,500 | 336,798,009 | 0 | 297,503,015 | 14,093,757 | 220,636,169 | 3,385,182,062 | 870,921,137 | 3,393,601,921 | 4,256,103,199 | 101,218,408 | 3,494,820,329 | -761,282,869 | 121.8% |
| 2046 | 7.00% | 2,500 | 353,637,507 | 0 | 312,429,220 | 14,516,570 | 237,896,947 | 3,649,770,526 | 914,470,025 | 3,563,334,020 | 4,564,240,551 | 104,625,093 | 3,667,959,113 | -896,281,438 | 124.4% |
| 2047 | 7.00% | 2,500 | 371,321,058 | 0 | 328,078,852 | 14,952,067 | 256,474,092 | 3,934,534,757 | 960,192,238 | 3,741,525,489 | 4,894,726,995 | 108,151,948 | 3,849,677,437 | -1,045,049,558 | 127.1% |
| 2048 | 7.00% | 2,500 | 389,886,068 | 0 | 344,497,724 | 15,400,629 | 276,467,003 | 4,240,985,475 | 1,008,201,846 | 3,928,613,038 | 5,249,191,321 | 111,751,245 | 4,040,364,283 | -1,208,827,038 | 129.9% |
| 2049 | 7.00% | 2,500 | 409,380,221 | 0 | 361,729,674 | 15,862,648 | 297,981,840 | 4,570,759,214 | 1,058,611,712 | 4,125,048,173 | 5,629,370,926 | 115,383,553 | 4,240,431,726 | -1,388,939,200 | 132.8% |
| 2050 | 7.00% | 2,500 | 429,849,491 | 0 | 379,819,545 | 16,338,528 | 321,132,345 | 4,925,582,977 | 1,111,541,632 | 4,331,301,758 | 6,037,124,609 | 119,024,651 | 4,450,326,409 | -1,586,798,200 | 135.7% |

Exhibit IX
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 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 and other contingencies. For example, while it is assumed that the assets of the fund will earn 7.00 percent each year throughout the life of the contracts, actual returns are expected to vary from year to year. Therefore, we have projected CIPTP results under alternative assumptions for future investment income, tuition increases, and fee increases.

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

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

Exhibit IX
Sensitivity Testing Results (Continued)

\$ in Millions

| | Assumed Tuition | | Assumed Fee | | Assumed Fee | | Assumed Investment | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|----------------------------|
| | Increases +100 Basis Points | Increases -100 Basis Points | Increases +100 Basis Points | Increases -100 Basis Points | Increases +100 Basis Points | Increases -100 Basis Points | Return +50 Basis Points | Return -50 Basis Points |
| 1 Assets | | | | | | | | |
| a. Market Value of Assets (in Trust) | \$1,025.4 | \$1,025.4 | \$1,025.4 | \$1,025.4 | \$1,025.4 | \$1,025.4 | \$1,025.4 | \$1,025.4 |
| b. PV Future Member Contributions | 59.8 | 59.8 | 59.8 | 59.8 | 59.8 | 59.8 | 59.0 | 60.6 |
| c. Total Actuarial Value of Assets (AVA) (2a + 2b) | \$1,085.2 | \$1,085.2 | \$1,085.2 | \$1,085.2 | \$1,085.2 | \$1,085.2 | \$1,084.4 | \$1,086.0 |
| 2 Actuarial Results | | | | | | | | |
| Liabilities | | | | | | | | |
| a. Not yet Matriculating - Tuition and Fees | \$1,062.5 | \$1,096.2 | \$1,030.9 | \$1,078.3 | \$1,047.7 | \$1,030.2 | \$1,096.4 | \$1,096.4 |
| b. Matriculating - Tuition and Fees | 257.7 | 258.1 | 257.4 | 258.5 | 257.0 | 255.9 | 259.6 | 259.6 |
| c. Present Value of Future Administrative Expenses | 57.1 | 57.1 | 57.1 | 57.1 | 57.1 | 55.4 | 58.9 | 58.9 |
| d. Total | \$1,377.3 | \$1,411.4 | \$1,345.4 | \$1,393.9 | \$1,361.8 | \$1,341.5 | \$1,414.9 | \$1,414.9 |
| Unfunded Liability | \$292.1 | \$326.2 | \$260.2 | \$308.7 | \$276.6 | \$257.1 | \$328.9 | \$328.9 |
| Funded Ratio | 78.8% | 76.9% | 80.7% | 77.9% | 79.7% | 80.8% | 76.8% | 76.8% |
| Difference From Current Assumptions | | | | | | | | |
| Unfunded Liability | \$0.0 | \$34.1 | -\$31.9 | \$16.6 | -\$15.5 | -\$35.0 | \$36.8 | \$36.8 |
| Funded Ratio | 0.0% | -1.9% | 1.9% | -0.9% | 0.9% | 2.0% | -2.0% | -2.0% |

SECTION C

FUND ASSETS

**STATEMENT OF PLAN ASSETS
(ASSETS AT MARKET OR FAIR VALUE)**

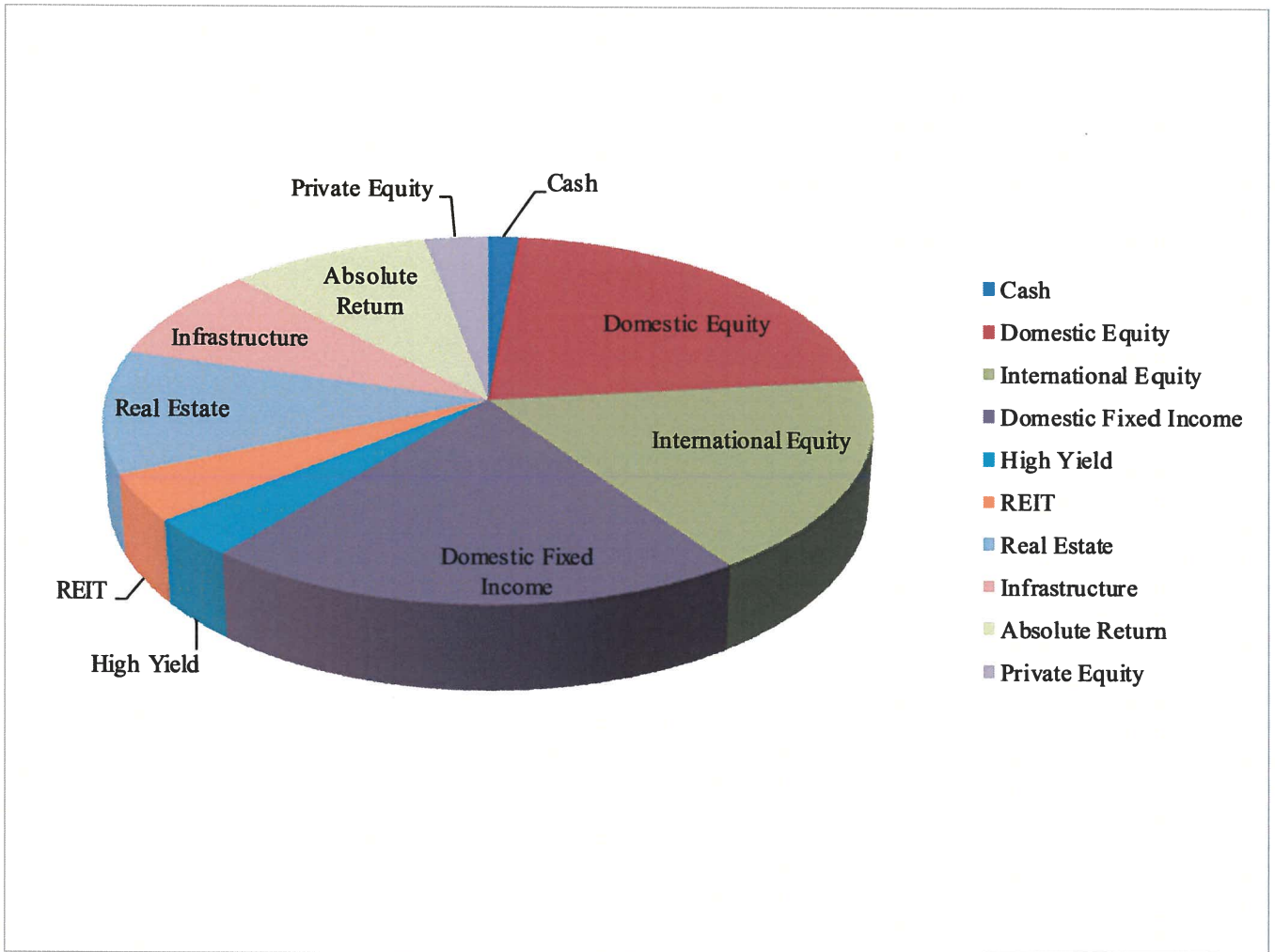
College Illinois!® Prepaid Tuition Program

Statement of Plan Net Assets

Year ended June 30, 2015

| | | |
|-----------------------|----|-----------------------------|
| Cash | \$ | 14,740,099 |
| Investments | | |
| Domestic Equity | \$ | 222,656,065 |
| International Equity | | 176,034,838 |
| Domestic Fixed Income | | 210,972,823 |
| High Yield | | 35,589,028 |
| REIT | | 42,257,467 |
| Real Estate | | 110,655,501 |
| Infrastructure | | 85,823,076 |
| Absolute Return | | 96,379,477 |
| Private Equity | | 30,277,058 |
| Total Investments | \$ | <u>1,010,645,333</u> |
| Total Assets | \$ | <u><u>1,025,385,432</u></u> |

ALLOCATION OF ASSETS AT JUNE 30, 2015



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, 2015

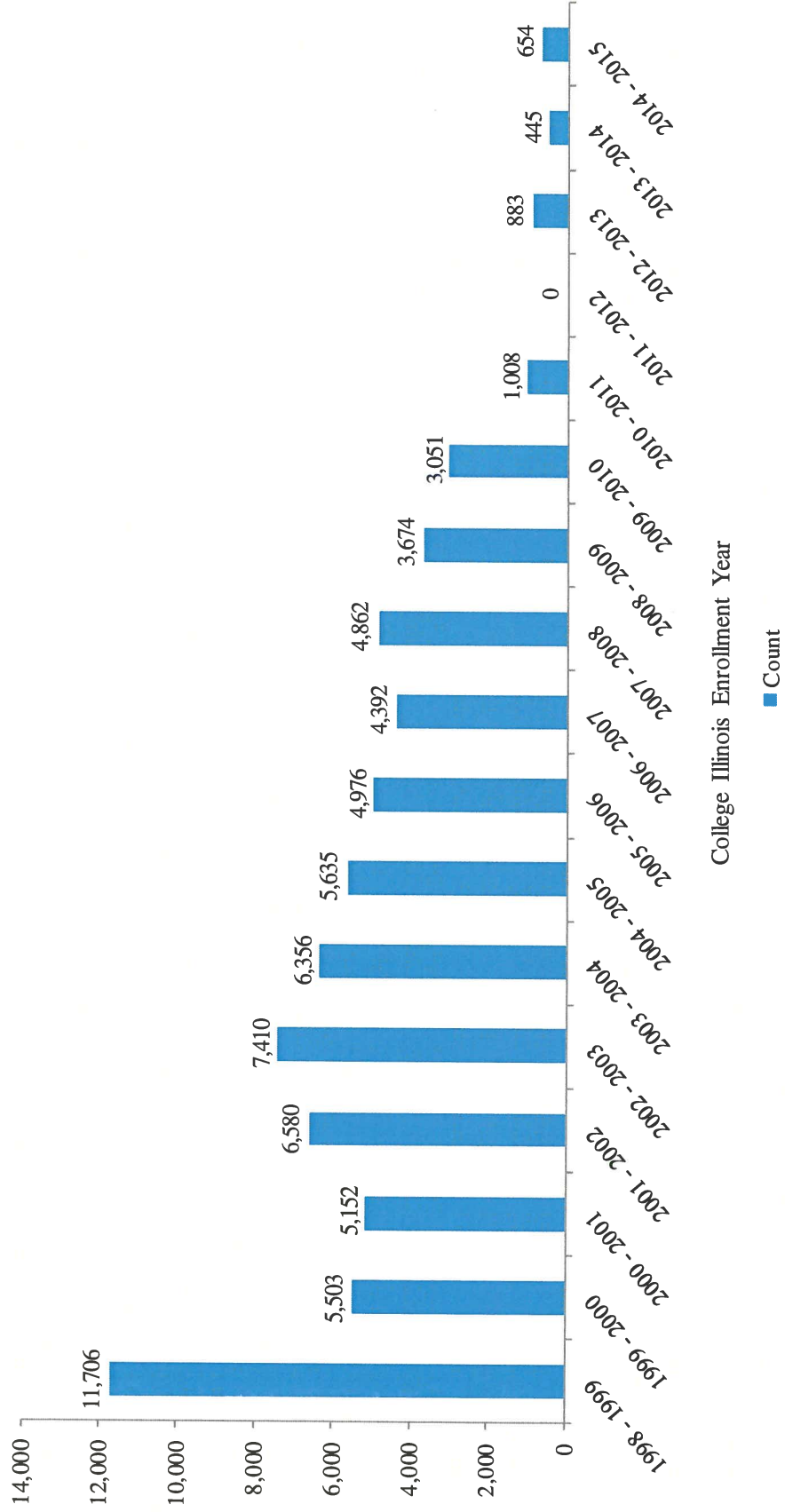
| | | |
|---|----|----------------------|
| Beginning of Period | | 7/1/2014 |
| End of Period | | 6/30/2015 |
| Additions: | | |
| Contributions received | \$ | 33,221,359 |
| Gross investment income | | 19,281,370 |
| Realized/Unrealized investment gains/(losses) | | 24,809,103 |
| Total Additions | \$ | 77,311,832 |
| Deductions: | | |
| Tuition payments | \$ | 120,683,478 |
| Refunds to Purchasers | | 17,292,620 |
| Investment expenses & advisory fees | | 3,494,474 |
| Administrative expenses | | 6,763,344 |
| Total Deductions | \$ | 148,233,916 |
| Net increase/(decrease) | \$ | (70,922,084) |
| Market Value of Assets: | | |
| Beginning of period | \$ | 1,096,307,516 |
| End of period (6/30/2015) | \$ | 1,025,385,432 |
| Present Value of Future Contributions by Current Contract Holders | | 59,821,556 |
| Market Value of Total Fund Assets as of June 30, 2015 | \$ | <u>1,085,206,988</u> |

SECTION D

PARTICIPANT DATA

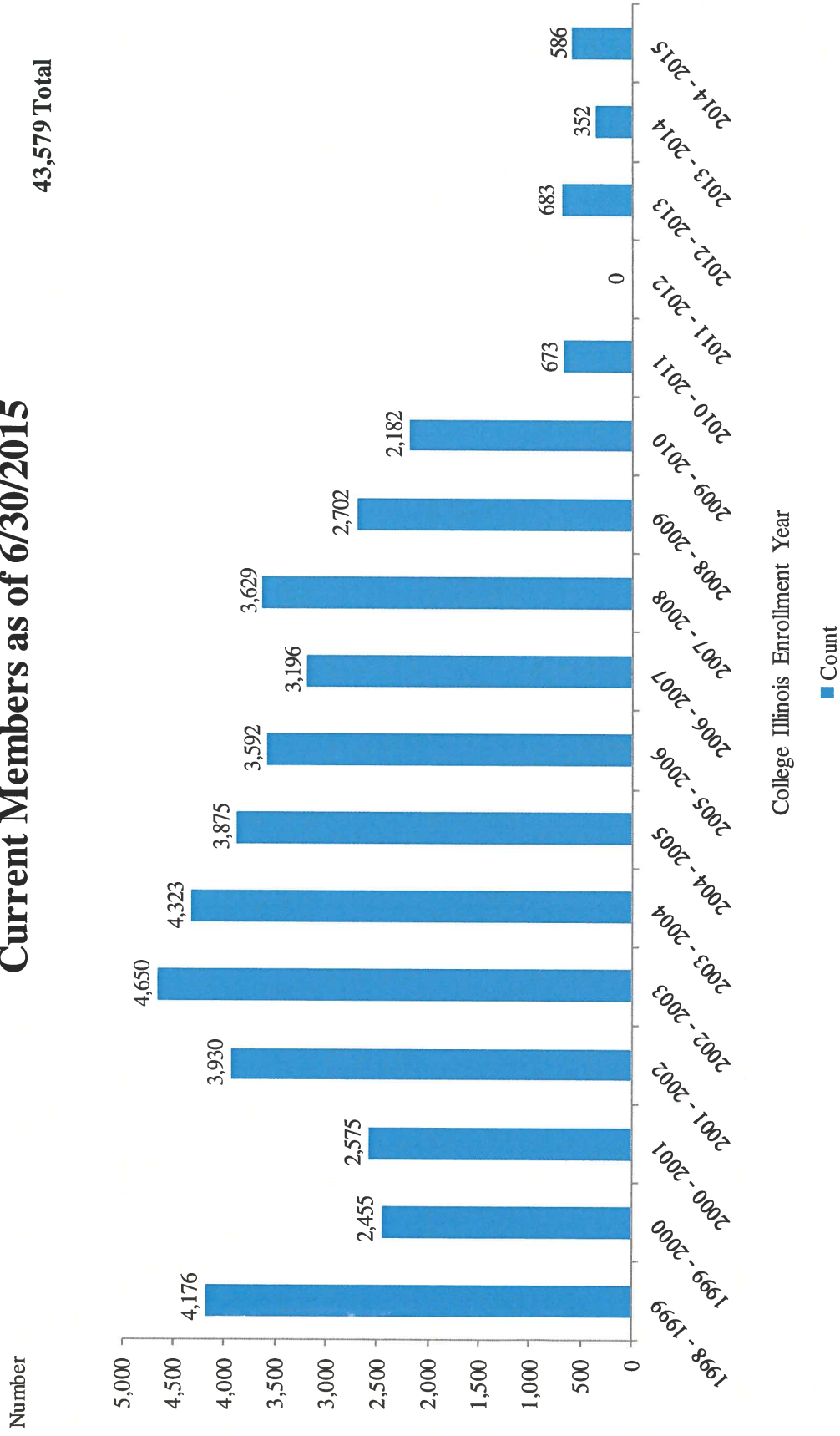
College Illinois!® Prepaid Tuition Program Counts by Enrollment Year All Current and Past Members as of 6/30/2015

Number 72,287 Total



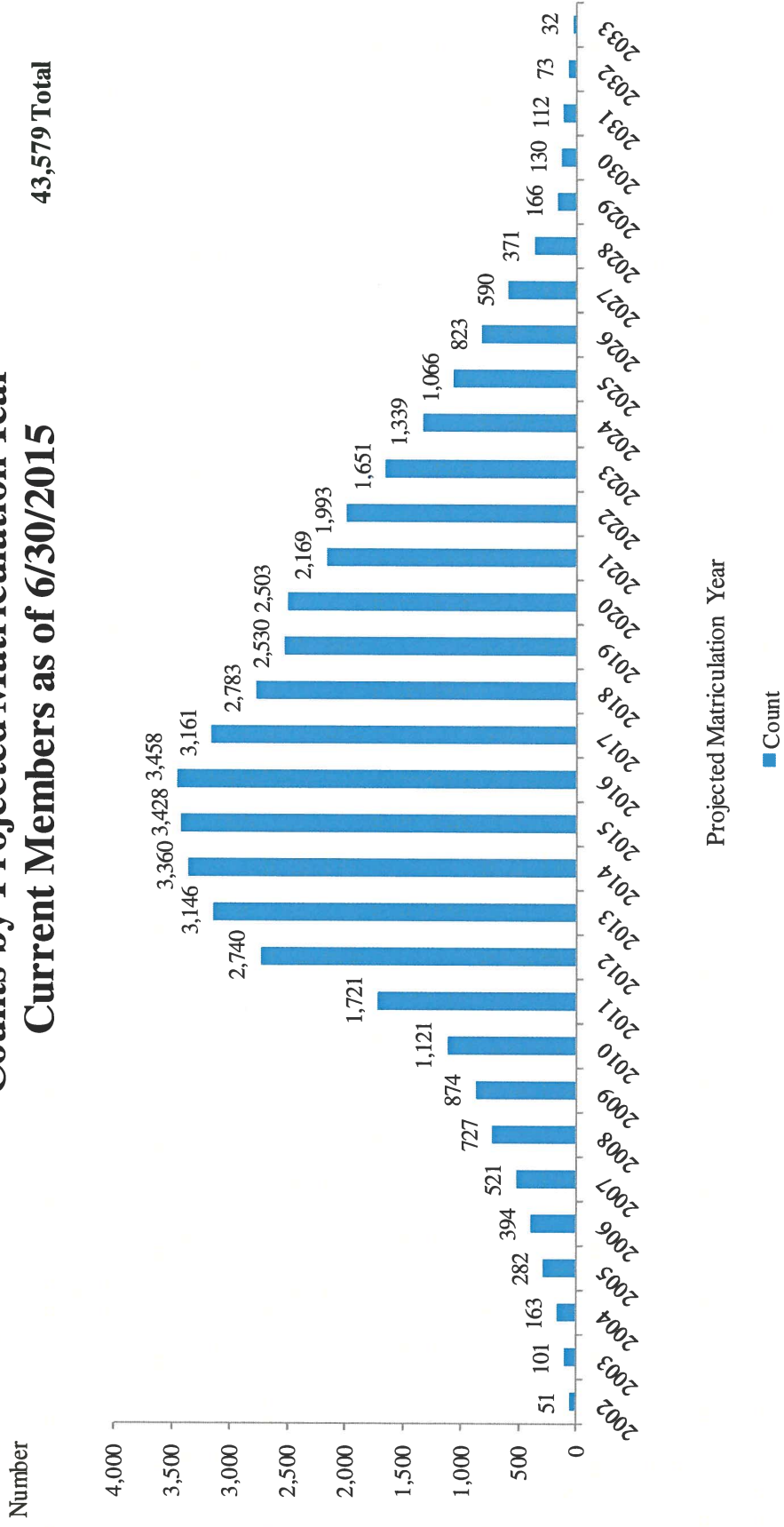
College Illinois!® Prepaid Tuition Program Counts by Enrollment Year Current Members as of 6/30/2015

43,579 Total



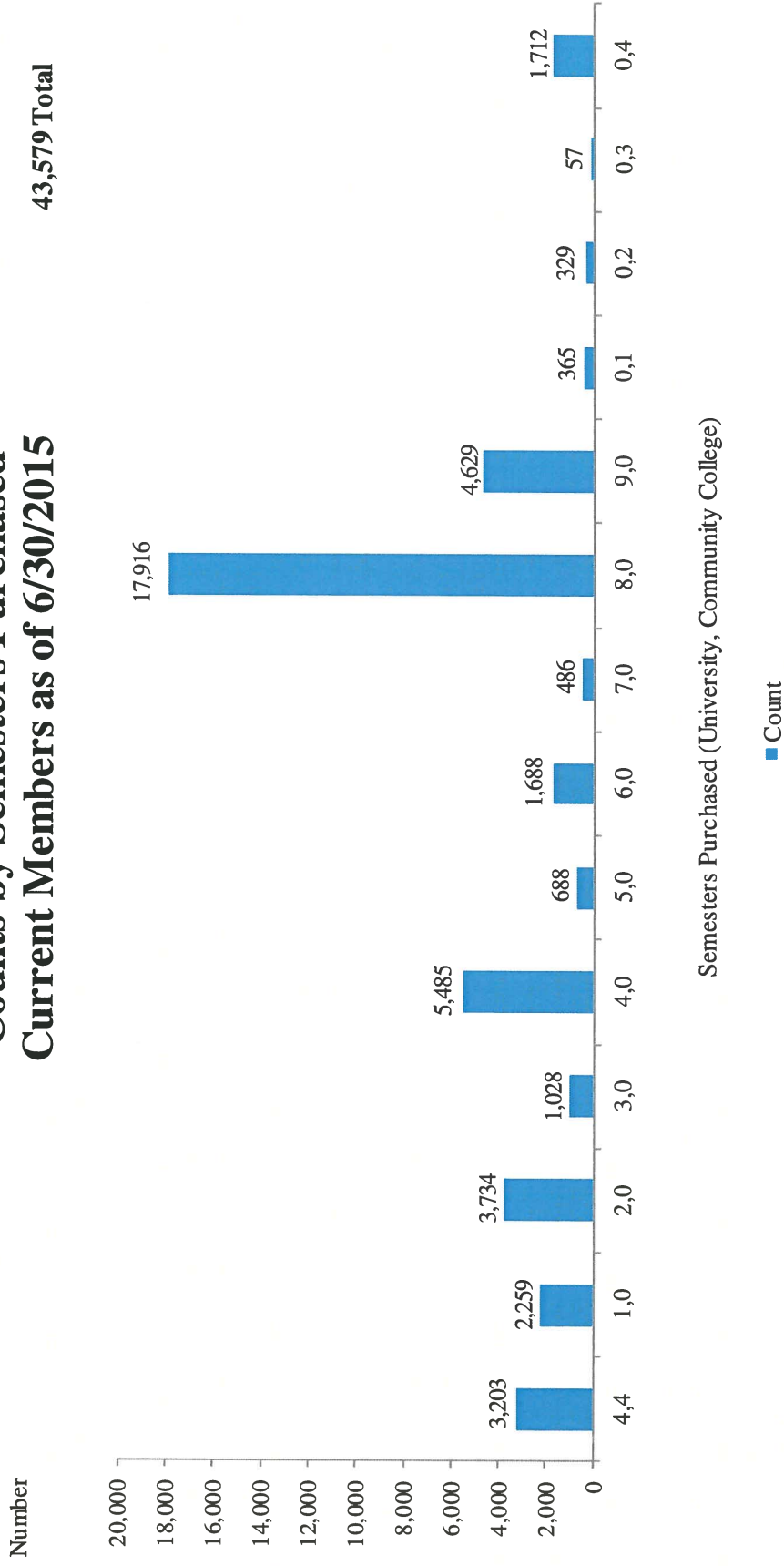
College Illinois!® Prepaid Tuition Program Counts by Projected Matriculation Year Current Members as of 6/30/2015

43,579 Total

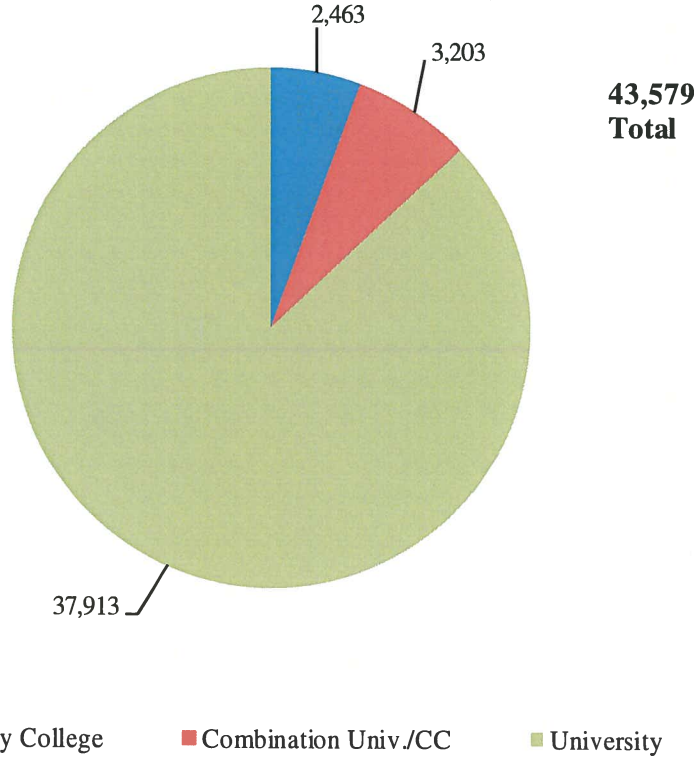


College Illinois![®] Prepaid Tuition Program Counts by Semesters Purchased Current Members as of 6/30/2015

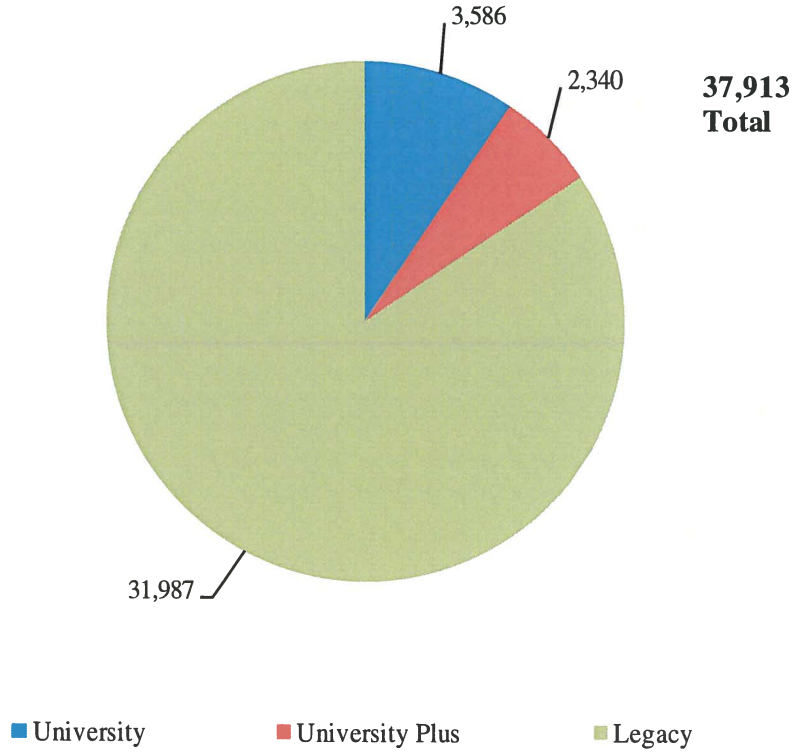
43,579 Total



**College Illinois!® Prepaid Tuition
Program
Counts by Contract Type
Current Members as of 6/30/2015**



**College Illinois!® Prepaid Tuition
Program
University Counts by Type
Current Members as of 6/30/2015**



SECTION E

METHODS & ASSUMPTIONS

VALUATION METHODS

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

VALUATION ASSUMPTIONS

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

Measurement Date June 30, 2015

The net investment return rate 7.00 percent per annum, compounded annually. Includes inflation assumption of 3.00 percent.

Weighted Average Tuition and Fees (WATF) Based on the Freshman Blended Tuition Rate and Increases by Contract Type

| | Contract Type | | | |
|----------------------------|-------------------|------------|-----------------|----------|
| | Choice 1 | Choice 2 | Choice 3 | |
| | Community College | University | University Plus | Legacy† |
| 2015-2016 Weighted Tuition | \$3,549 | \$10,082 | \$14,136 | \$11,022 |
| 2015-2016 Weighted Fees | \$431 | \$3,688 | \$3,590 | \$3,665 |
| 2015-2016 Total WATF | \$3,980 | \$13,770 | \$17,726 | \$14,687 |

†“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 the 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.

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.

| | Contract Type | | | |
|----------------|-------------------|------------|-----------------|----------|
| | Choice 1 | Choice 2 | Choice 3 | |
| | Community College | University | University Plus | Legacy† |
| 2015-2016 WATF | \$3,980 | \$13,770 | \$17,726 | \$14,687 |
| 2014-2015 WATF | \$3,809 | \$13,362 | \$17,711 | \$14,354 |
| WATF Increase | 4.49% | 3.05% | 0.08% | 2.32% |

| Tuition and Fee Increase Assumption - June 30, 2015, Actuarial Valuation | | | | |
|--|-------------------|------------|-----------------|--------|
| Effective Date | Community College | University | University Plus | Legacy |
| 6/30/2016 through 6/30/2017 | 6.50% | 6.50% | 6.50% | 6.50% |
| 6/30/2018 through 6/30/2022 | 5.75% | 5.75% | 5.75% | 5.75% |
| 6/30/2023 and Beyond | 5.00% | 5.00% | 5.00% | 5.00% |

Truth in Tuition

We have segregated the beneficiaries into two categories, those beneficiaries that fall under the Truth in Tuition law and those that do not. The Truth in Tuition law does not apply to community colleges.

For Truth in Tuition beneficiaries, 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 all other beneficiaries, it was assumed that tuition will rise for each year enrolled. It was assumed fees will rise for each year enrolled.

Administrative Expenses

Administrative expenses of the Program are assumed to be paid through a combination of investment earnings and fees assessed on purchasers. For purposes of the closed group projections, marketing expenses were excluded as it is assumed those costs should be applicable only to future contracts. Expenses are assumed to grow at the rate of inflation assumption of 3.0 percent. Closed group administrative expenses are projected to decline at the same rate the present value of benefits decline and are therefore not dependent on the growth rate assumption. The present value of future administrative expenses was determined to be equal to approximately 4.1 percent of the total liabilities.

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 2015-2016 WATF. A load of 4.0 percent for “Legacy” contracts, 5.5 percent for Choice 1 contracts and 2.5 percent for Choice 2 contracts was added to the WATF assumption 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.

Mortality and Disability

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

Future Beneficiary Profile

The characteristics of future beneficiaries are assumed to be the same as the characteristics of 2014 new beneficiaries.

The Rates of Enrollment

These rates are used to measure the probability of eligible members matriculating at and beyond their projected college entrance date.

| 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% |

Rates of Cancellation

These rates are used to measure the probability of eligible members cancelling their contracts before and after projected college entrance date.

| Years From Projected College Entrance Year | Cancellation Rate | Years From Projected College Entrance Year | Cancellation Rate |
|---|--------------------------|---|--------------------------|
| -17 | 8% | -3 | 1% |
| -16 | 7% | -2 | 1% |
| -15 | 6% | -1 | 1% |
| -14 | 4% | 0 | 2% |
| -13 | 4% | 1 | 2% |
| -12 | 3% | 2 | 3% |
| -11 | 3% | 3 | 3% |
| -10 | 3% | 4 | 5% |
| -9 | 2% | 5 | 5% |
| -8 | 2% | 6 | 8% |
| -7 | 2% | 7 | 8% |
| -6 | 2% | 8 | 5% |
| -5 | 2% | 9 | 5% |
| -4 | 1% | 10 | 5% |

In the event of a cancellation, it was assumed that a refund will be paid equal to the amount of contributions paid by the contract holder, increased by 2 percent for each subsequent year after purchase for contracts sold prior to October 1, 2013.

Utilization of Benefits

Once they start matriculating, beneficiaries are assumed to use the benefits as described by the CIPTP Master Agreement according to the schedule below.

| 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% |

Once a member has matriculated, it is assumed that beneficiaries will utilize 22 credits per year until benefits are fully depleted.

SECTION F
PLAN PROVISIONS

PLAN PROVISIONS

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

A. Type of Contract

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

B. Benefit

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

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

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

Benefit shall never be less than payment amount.

C. Member Contributions

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

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

D. Private or Out-of-State Institutions

For beneficiaries attending 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.

PLAN PROVISIONS (CONTINUED)

| | |
|---|--|
| <i>E. Scholarship</i> | <p>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.</p> <p>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.</p> <p>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.</p> |
| <i>F. Not Attending an Institution of Higher Education</i> | <p>Benefits can be transferred to a member of the “family” as defined in Section 529 of the Internal Revenue Code.</p> <p>Purchasers can also choose to postpone the beneficiary’s use of contract benefits to a later time or receive a refund payment equal to all contributions, plus two percent interest (only applicable to contracts purchased prior to the 2013/2014 enrollment period), less applicable cancellation fees.</p> |
| <i>G. Death/Disability of Qualified Beneficiary</i> | <p>Refunds equal to amount paid with all accrued earnings will be made to purchaser.</p> |
| <i>H. Changes from Previous Valuation</i> | <p>None.</p> |
| <i>I. Other Ancillary Benefits</i> | <p>There are no ancillary benefits.</p> |



RSM US LLP

**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 William G. Holland
Auditor General
State of Illinois, and

Mr. Miguel del Valle
Acting 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 Illinois Prepaid Tuition Program of the State of Illinois, Illinois Student Assistance Commission, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2015. That report contains an emphasis of matter paragraph which states "as discussed in Notes 10 and 11, the Illinois Prepaid Tuition Program has a deficit as of June 30, 2015 of \$236 million. The amount of the reported deficit is highly dependent on the actuarial assumptions used to calculate the actuarial present value of future tuition benefits obligations."

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) of the Illinois Prepaid Tuition Program to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control.

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

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

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Compliance and Other Matters

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

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.

RSM US LLP

Schaumburg, Illinois
December 18, 2015