COLLEGE ILLINOIS!®
prepaid tuition program

Fiscal Year 2013
Annual Report

ISAC
Illinois Student Assistance Commission

February 25, 2014

The Honorable Pat Quinn, 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 William Holland, 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 2013 Annual Report for the College Illinois!® Prepaid Tuition Program required by the Illinois Prepaid Tuition Act 110 ILCS 979/30(d) to be submitted by March 1, 2014. In addition to this letter and summary, the complete report consists of the fiscal year 2013 audited financial statements including the actuarial soundness and valuation report.

Fiscal Year 2013 was a new beginning for the College Illinois! Prepaid Tuition Program as contract sales were resumed on October 1, 2012. There were 883 contracts sold for the enrollment period of October 1, 2012 through April 30, 2013. This is positive given the resumption of contract sales after a one year hiatus.

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! Prepaid Tuition Program ended Fiscal 2013 with nearly $1.2 billion in assets, approximately $448.5 million in unfunded liabilities and a funded ratio of 72.3 percent. Compared to Fiscal 2012, this represents a reduction in the unfunded liabilities of nearly $19 million and a 0.7 percent gain in the funded ratio.

While the unfunded liability warrants continued vigilance, we are encouraged by the continued trend in moderating tuition inflation. Lower-than-expected tuition inflation has provided a benefit to the funded status of $66 million in FY13, $87 million in FY12 and $42 million in FY11.

Information in the actuarial report necessarily represents a point in time and predicts the future as of June 30, 2013. 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. Also, the funded ratio is based on a "closed-group business" model that assumes no future contract sales. Contract sales have resumed for the most recent enrollment period which will run from October 1, 2013 through April 30, 2014.

Revenues from all contract sales are deposited into the College Illinois Trust Fund and are invested to provide funding to meet 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 in the future 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 January 9, 2014, the College Illinois! Prepaid Tuition Program will not require any state financial support during Fiscal 2015. 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 until 2023. As mentioned earlier, contract sales have resumed as of October 1, 2013 for the current enrollment period that runs until April 30, 2014. Since inception, the program has never missed a tuition or fee payment, and continues to meet all of its financial obligations on time.

Audited Financial Statements and Audit Findings

ISAC continues to work diligently to maintain and strengthen our financial controls and reporting. The Illinois Office of Auditor General has expressed the opinion that the financial statements are a materially correct representation of the College Illinois! Prepaid Tuition Program and that the accounting is in conformity with United States generally accepted accounting principles.

In its Report on Internal Control Over Financial Reporting and on Compliance, the Office of Illinois Auditor General notes that it did not find any deficiencies in internal control over financial reporting that would be considered a material weakness.

Investment Performance

The Illinois 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 7.71% for the fiscal year ended 6/30/13 and 8.72% for the trailing 3-year period. Returns exceeded our 7.00% actuarial assumption but lagged the public fund peer group. The Fund is well diversified across numerous asset classes, and, while this allocation should 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	
June 30, 2013	Return	Rank	Return	Rank	Return	Rank
College Illinois Overall	7.71%	92	8.72%	89	3.70%	90
Policy Benchmark	12.35%	44	11.36%	43	4.57%	76
Public Fund Peer Group	11.99%	50	11.02%	50	5.32%	50

Source: Program Investment Consultant

Conclusion

The College Illinois! Prepaid Tuition Program is the fourth largest 529 prepaid program in the country with assets near $1.2 billion and approximately 50,000 active contract holders. Through June 30, 2013, the program has paid over $494 million in tuition and fees on behalf of over 24,000 beneficiaries. Administering a program of this size is a significant responsibility; a role ISAC takes seriously. ISAC has undertaken prudent measures necessary to help put the program on a sustainable, long-term trajectory.

The State, taxpayers and especially program participants, can be proud of the important role the College Illinois! Prepaid Tuition Program has 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 Assistant Commission

Kym M. Hubbard, Chair

Miguel del Valle, Vice Chairman

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

Joy Winterfield

PROGRAM OVERVIEW

The College Illinois!® Prepaid Tuition Program is administered by the Illinois Student Assistance Commission, the state agency working to 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 the cost of 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! 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. 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 program has no age restrictions for future students. Beneficiaries of a plan do not have to choose a school until time of college enrollment. Plans can be purchased with a single lump-sum payment, or in monthly or annual installments for five, ten or fifteen years. College Illinois! Prepaid Tuition Program benefits cover undergraduate tuition and mandatory fees, but not other expenses such as room and board, books and transportation.

Benefits provided by the College Illinois! Prepaid Tuition Program are entirely exempt from both federal and state income tax. In addition, contributions up to a maximum of $10,000 per individual or $20,000 per couple are deductible from Illinois taxable income.

A College Illinois! Prepaid Tuition Program contract can protect purchasers against tuition and fee increases that have historically averaged approximately eight percent per year over the past 20 years at public universities in Illinois. Thousands of Illinois families have enjoyed the benefits of this affordable, flexible and tax-advantaged program, making it the cornerstone of their college funding plan.

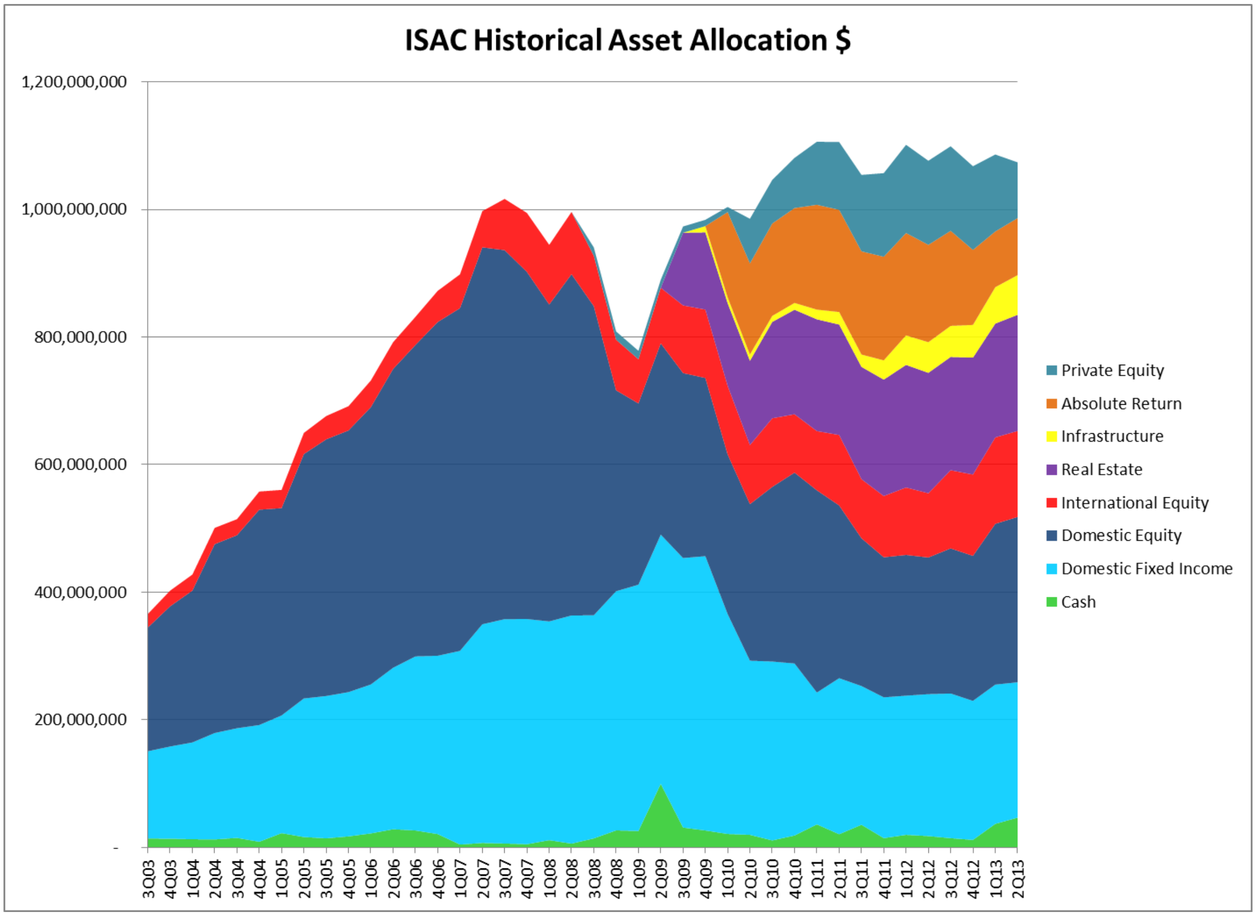
Appendix - A

ISAC Asset Class Performance and Ranking for periods ending on June 30, 2013

	one year			three years			five years	
	Return	**Rank**		**Return**	**Rank**		**Return**	**Rank**
ISAC- Domestic Equity	20.99%	44		18.36%	37		6.45%	59
Russell 3000 index	21.46%	46		18.63%	28		7.25%	43
Median asset class returns	20.54%	50		17.32%	50		6.82%	50
ISAC- International Equity	19.74%	38		11.84%	37		0.85%	50
MSCI EAFE index	18.62%	51		10.04%	71		-0.63%	74
Median asset class returns	18.69%	50		11.16%	50		0.84%	50
ISAC- Domestic Fixed Income	0.24%	60		4.73%	34		6.19%	46
Barclays US Aggregate Index	-0.69%	91		3.51%	98		5.19%	93
Median asset class returns	0.50%	50		4.33%	50		6.08%	50
ISAC- Real Estate	9.26%	60		9.49%	84		-	-
Median asset class returns	10.04%	50		13.43%	50		-0.51%	50
ISAC- Infrastructure	7.74%	78		7.74%	90		-	-
Median asset class returns	10.04%	50		13.43%	50		-0.51%	50
ISAC- Absolute Return	4.11%	93		3.58%	80		-	-
Median asset class returns	9.52%	50		5.39%	50		1.98%	50
ISAC- Private Equity	-10.42%	89		1.39%	77		-	-
Median asset class returns	2.15%	50		5.24%	50		-2.35%	50
College Illinois Overall	7.71%	92		8.72%	89		3.70%	90
Policy Benchmark	12.35%	44		11.36%	43		4.57%	76
Public Fund Peer Group	11.99%	50		11.02%	50		5.32%	50

Source: Program Investment Consultant

Appendix – B



ISAC Historical Asset Allocation $
1,200,000,000
1,000,000,000
800,000,000
600,000,000
400,000,000
200,000,000
-
3Q03 4Q03 1Q04 2Q04 3Q04 4Q04 1Q05 2Q05 3Q05 4Q05 1Q06 2Q06 3Q06 4Q06 1Q07 2Q07 3Q07 4Q07 1Q08 2Q08 3Q08 4Q08 1Q09 2Q09 3Q09 4Q09 1Q10 2Q10 3Q10 4Q10 1Q11 2Q11 3Q11 4Q11 1Q12 2Q12 3Q12 4Q12 1Q13 2Q13
Private Equity
Absolute Return
Infrastructure
Real Estate
International Equity
Domestic Equity
Domestic Fixed Income
Cash

Appendix - C

Utilization of Benefits

Fiscal Years 1998 through 2013

Illinois Public 4-year Institutions	Tuition and Fees	Beneficiaries *
University of Illinois Urbana	$135,687,979	4,313
Illinois State University	$38,456,047	1,973
University of Illinois Chicago	$20,738,647	968
Northern Illinois University	$16,808,909	960
Southern Illinois University	$11,830,157	680
Eastern Illinois University	$9,117,638	552
Western Illinois University	$7,625,408	486
Southern Illinois University Edwardsville	$5,533,123	399
University of Illinois Springfield	$1,950,500	153
Northeastern Illinois University	$1,429,473	134
Governors State University	$262,231	36
Chicago State University	$233,061	18
	$249,673,173	10,672

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

Top 10 Illinois Community Colleges	Tuition and Fees	Beneficiaries
College of DuPage	$1,939,339	480
Harper College	$1,161,566	304
Moraine Valley Community College	$978,992	237
Parkland College	$847,379	255
Lincoln Land Community College	$782,141	247
Joliet Junior College	$776,819	228
College of Lake County	$679,083	206
Illinois Central College	$474,749	139
Heartland Community College	$426,011	149
Oakton Community College	$426,007	149
	$8,492,086	2,394

Appendix - C

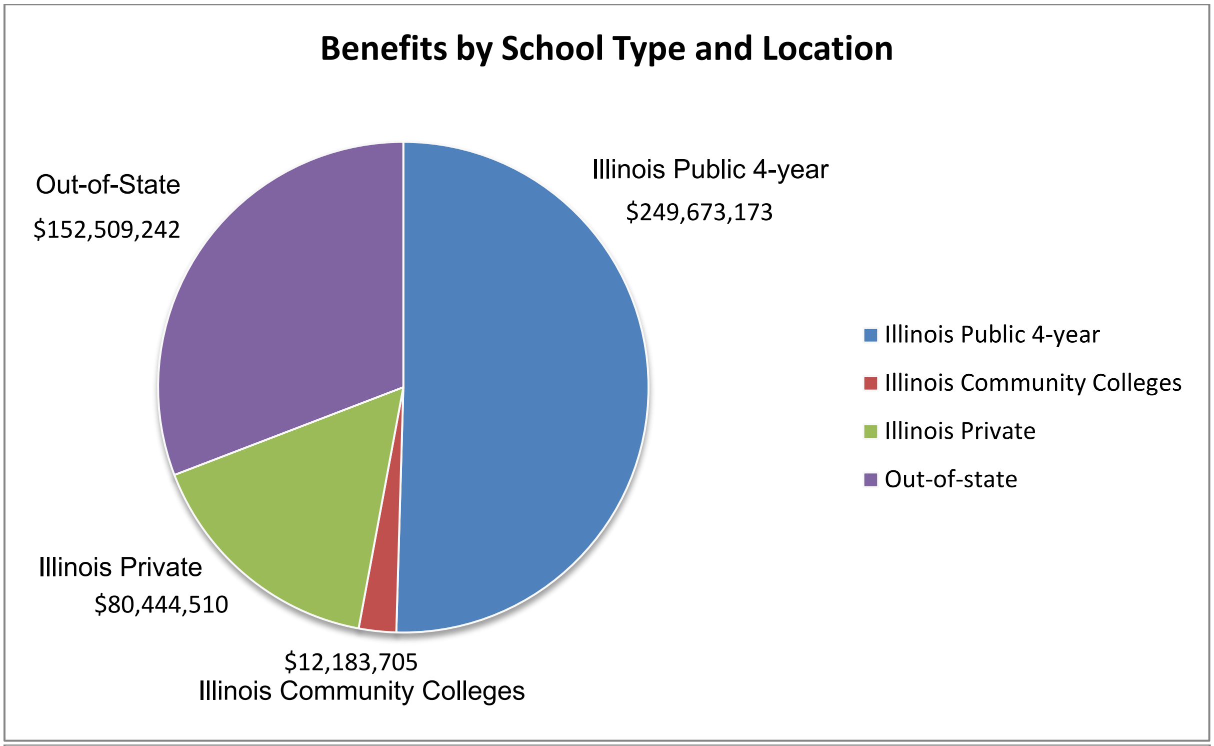
Utilization of Benefits

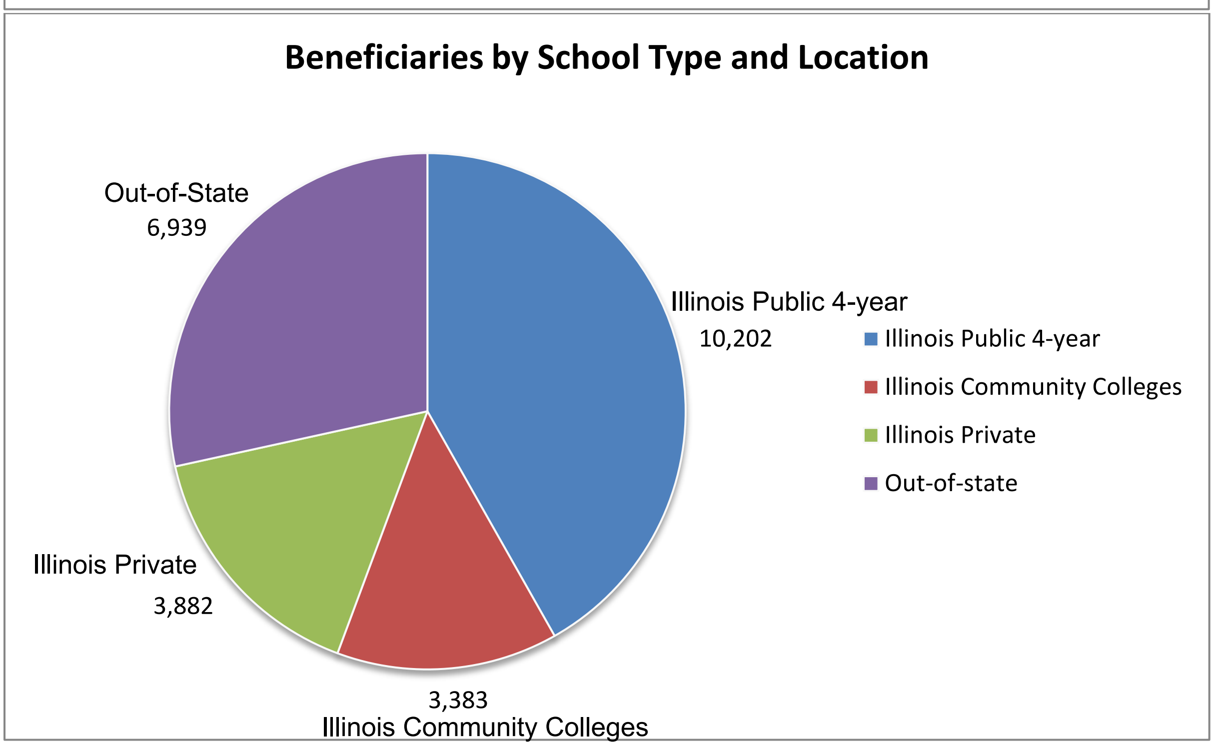
Fiscal Years 1998 through 2013

Top 10 Illinois Private Institutions	Tuition and Fees	Beneficiaries
DePaul University	$10,510,620	466
Bradley University	$6,763,831	298
Loyola University-Chicago	$6,635,050	285
Columbia College	$5,588,930	276
Illinois Wesleyan University	$5,020,988	213
Augustana College	$4,364,540	184
Northwestern University	$3,451,651	124
North Central College	$2,622,160	133
Millikin University	$2,371,593	105
Elmhurst College	$2,285,340	118
	$49,614,703	2,202

Top 10 Out-of-State Institutions	Tuition and Fees	Beneficiaries
University of Iowa	$13,241,944	549
Indiana University Bloomington	$9,813,051	385
Purdue University	$7,371,873	296
Marquette University	$5,290,791	211
University of Wisconsin Madison	$4,921,594	204
University of Missouri Columbia	$4,562,690	218
Saint Louis University	$4,384,682	180
University of Notre Dame	$2,847,310	98
Iowa State University	$2,676,038	132
Carthage College	$2,280,000	98
	$57,389,973	2,371

Appendix - D
Utilization of Benefits by Location
Fiscal Years 1998 through 2013





State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program

Financial Audit
For the Year Ended June 30, 2013

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

McGladrey

Assurance ▪ Tax ▪ Consulting

State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program
Financial Audit
For the Year Ended June 30, 2013

Table of Contents

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	Annie Pike through October 11, 2013
Acting General Counsel	Karen Salas, beginning October 12, 2013

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 McGladrey LLP.

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

Exit Conference

In correspondence received from Eric Zarnikow, Executive Director, on December 5, 2013 the Commission elected to waive an exit conference.

McGladrey

Independent Auditor's Report

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

Ms. Kym Hubbard
Honorable 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, 2013, 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.

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, 2013, 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, 2013, 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 Note 9, the Illinois Prepaid Tuition Program has a deficit as of June 30, 2013 of $389 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. 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 January 9, 2014 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.

McGladrey LLP

Schaumburg, Illinois
January 9, 2014

State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program

Statement of Net Position
June 30, 2013

Assets	
Current	
Cash and cash equivalents	$ 6,998,358
Investments	139,643,408
Receivables:	
Contracts receivable	32,359,468
Accrued interest on investments	106
Total current assets	179,001,340
Noncurrent	
Investments	931,452,402
Contracts receivable	59,415,796
Total non-current assets	990,868,198
Total assets	1,169,869,538
Liabilities	
Current	
Accounts payable and accrued expenses	1,082,563
Due to other ISAC funds	304,133
Tuition obligation	160,592,076
Due to State of Illinois component units	46,266
Total current liabilities	162,025,038
Noncurrent	
Tuition obligation	1,396,897,407
Total liabilities	1,558,922,445
Net position, unrestricted (deficit)	$ (389,052,907)

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, 2013

Operating revenues:		
Income from investment securities (net of closed end funds investment management fees of $ 3,570,180; see Note 3C)	$	91,397,039
Interest revenue - other		187,929
Fees		823,515
Contributions		33,617,176
Net operating revenues		126,025,659
Operating expenses:		
Salaries and employee benefits		2,075,549
Accreted tuition expense		84,485,203
Management and professional services		3,961,473
Investment management fees		1,354,960
Investment advisory fees		2,813,116
Total operating expenses		94,690,301
Change in net position		31,335,358
Net position (deficit), July 1, 2012		(420,388,265)
Net position (deficit), June 30, 2013	$	(389,052,907)

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program

Statement of Cash Flows
Year Ended June 30, 2013

Cash flows from operating activities	
Cash receipts from prepaid tuition contracts	$ 47,266,911
Cash received from fees	823,515
Cash paid for refund of contracts	(18,046,029)
Cash paid for tuition	(103,725,223)
Cash payments to suppliers for goods and services	(4,250,732)
Cash payments to employees for services	(2,140,771)
Net cash used in operating activities	(80,072,329)
Cash flows from investing activities	
Purchase of investment securities	(313,174,364)
Sales and maturities of investment securities	369,292,345
Interest and dividends on investments	24,890,386
Cash paid to investment managers	(1,354,960)
Net cash provided by investing activities	79,653,407
Net decrease in cash and cash equivalents	(418,922)
Cash and cash equivalents, July 1, 2012	7,417,280
Cash and cash equivalents, June 30, 2013	$ 6,998,358

(Continued)

State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program

Statement of Cash Flows (Continued)
Year Ended June 30, 2013

Reconciliation of operating income to net cash used in operating activities:	
Operating gain	$ 31,335,358
Adjustments to reconcile operating income to net cash used in operating activities:	
Investment income and other interest income	(125,022,044)
Investment management fees	1,354,960
Investment advisory fees	2,813,116
Accreted tuition expense	84,485,203
(Increase) decrease in assets:	
Contracts receivable	13,350,694
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(266,267)
Due to other ISAC funds	111,463
Due to State of Illinois component units	(134,455)
Tuition payable	(88,035,135)
Compensated absences	(65,222)
Total adjustments	(111,407,687)
Net cash used in operating activities	$ (80,072,329)
Supplemental disclosure of noncash investing transactions:	
Net appreciation in fair value of investments	$ 64,438,331

See Notes to Financial Statements.

Note 1. Description of Program

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

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

The Illinois Prepaid Tuition Program Fund 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.

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

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1) Appointment of a voting majority of the organization's governing body and either (a) the primary government's ability to impose its will on that organization, or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or

2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Based upon the required criteria, the Illinois Prepaid Tuition Program does not have component units, nor is it a component unit of any other entity. However, because 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, 2013, 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. 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.

Note 2. Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

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. Nonoperating revenues and expenses result from non-exchange transactions or ancillary activities.

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 is included in investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

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 $91,775,264 as of June 30, 2013. The Program expects to receive contributions totaling $32,359,468 in fiscal year 2014. 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.

Note 2. Summary of Significant Accounting Policies - Continued

G. Interfund Transactions - Continued

Reimbursements—repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures/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.

H. Tuition Obligation

The tuition obligation in the Illinois Prepaid Tuition Program represents the net contract amount for the 48,189 contracts held by the fund as of June 30, 2013, 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 and liabilities 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.

Note 3. Deposits and Investments

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.

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 institutional investing. Investment Committee members are selected by the Chair of the Commission and approved by a vote of the Commission. The Investment Committee meets at least quarterly with the Chief Investment Officer and the Investment Consultant.

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

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

Note 3. Deposits and Investments – Continued

A. Investment Authority and Legal Compliance - Continued

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 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.

Note 3. Deposits and Investments – Continued

A. Investment Authority and Legal Compliance - Continued

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, 2013, the Illinois Prepaid Tuition Program's locally held deposits 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 most recent revision to the investment policy in June 2013.

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 provide the investment return and risk level consistent with the actuarial return requirements and cash flow demands of the Program. 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.

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.

	Targets		Rebalancing Range	
Asset Allocation	**Long-term**	**Interim**	**Lower Limit**	**Upper Limit**
U.S. Equity	22.00%	22.00%	19.00%	25.00%
Non-U.S. Equity	20.00%	15.00%	12.00%	18.00%
Fixed Income	25.00%	21.00%	18.00%	24.00%
High Yield	3.00%	4.00%	3.00%	5.00%
REIT	5.00%	6.00%	4.00%	8.00%
Absolute Return	9.00%	9.00%	7.00%	11.00%
Real Estate	5.00%	10.00%	N/A	N/A
Infrastructure	5.00%	6.00%	N/A	N/A
Private Equity	5.00%	5.00%	N/A	N/A
Cash	1.00%	2.00%	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	15.00%
Fixed Income	Barclays U.S. Aggregate	21.00%
High Yield	BofA MLHY	4.00%
REIT	MSCI US REIT	6.00%
Absolute Return	90-day T Bills +4%	9.00%
Real Estate	NCREIF ODCE	10.00%
Infrastructure	90-day T Bills +4%	6.00%
Private Equity	Russell 3000 + 3%	5.00%
Cash	90-day T-Bills	2.00%

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, Pugh Capital, Piedmont Investment, 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, Camelot Secondary, Kennedy Wilson, Lyrical-Antheus, Mesirow Value, and DDJ Strategic Income Plus Fund as investment managers to assist with the investment of the Program assets for the Illinois Prepaid Tuition Program.

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, 2013, 24.03% of the funds were invested in Domestic Equities, 19.69% in Domestic Fixed Income, 12.51% in International Equities, 5.63% in Infrastructure Funds, 8.32% in Absolute Value Funds, 4.54% in Private Equity Funds, 9.56% in Real Estate, 7.28% in Real Estate Investment Trust, 3.62% in High Yield, 0.28% in illiquid securities and 4.54% 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 the Program in conjunction with its investment managers and investment advisors;

(5) Private Equity, Absolute Return, and Infrastructure Funds – fair values as determined by the Program in conjunction with its investment managers and investment advisors. Valuations generally are based 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 real estate 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 $7.4 million to private equity partnerships, $30.4 million to real estate and $26.7 million to infrastructure funds as of June 30, 2013.

Note 3. Deposits and Investments - Continued

C. Investments - Continued

The Illinois Prepaid Tuition Program's cash and investments at June 30, 2013 are presented below at fair value by investment type and by investment manager:

Investment Managers
Asset Allocation at June 30, 2013

Asset Class	Investment Manager	Fair Value	Actual Allocation
Fixed Income-Core	Funds in transition	$ 3,928	0.00%
Fixed Income-Core	Piedmont Investment	34,069,390	3.16%
Fixed Income-Core	Pugh Capital	42,405,190	3.93%
Fixed Income-Core	State Street Global Advisors	66,290,554	6.15%
Fixed Income-Intermediate	Income Research Management	69,459,115	6.44%
Total Fixed Income Portfolio		**212,228,177**	**19.69%**
Private Equity High Yield	DDJ Strategic Income Plus	39,060,299	3.62%
Total High Yield		**39,060,299**	**3.62%**
REIT Stable Income	Security Capital Research	22,653,677	2.10%
REIT Preferred Growth	Security Capital Research	55,805,071	5.18%
Total REIT		**78,458,748**	**7.28%**
Real Estate-Value Added	Kennedy Wilson	25,205,823	2.34%
Real Estate-Value Added	Kennedy Wilson	32,927,359	3.05%
Real Estate-Opportunistic	Lyrical-Antheus	25,516,142	2.37%
Real Estate-Value Added	Mesirow Value	19,453,197	1.80%
Total Real Estate		**103,102,521**	**9.56%**
Large-Cap Core Equity	Rhumbline Advisers	98,644,370	9.15%
All-Cap Core Equity	Rhumbline Advisers	160,450,741	14.88%
Total Domestic Equity		**259,095,111**	**24.03%**
International Equity	Ativo	34,203,164	3.17%
International Equity	Cornerstone Capital Management	33,398,640	3.10%
International Equity	Harris/Pyrford	36,546,579	3.39%
International Core Equity	State Street Global Advisors	30,709,606	2.85%
International Core Equity	Funds in transition	5,665	0.00%
Total International Equity		**134,863,654**	**12.51%**
Infrastructure	Alinda Infrastructure	31,198,701	2.89%
Infrastructure	JP Morgan AIRRO	29,508,401	2.74%
Total Infrastructure		**60,707,102**	**5.63%**
Absolute Return Fund	Balestra Capital	30,590,790	2.84%
Absolute Return Fund	Neuberger Berman	28,588,678	2.65%
Absolute Return Fund	Pinnacle Natural Resource	30,505,017	2.83%
Total Absolute Return Funds*		**89,684,485**	**8.32%**
Private Equity Secondary	Camelot Secondary	15,875,960	1.47%
Private Equity Secondary FoFs	Morgan Stanley	16,480,456	1.53%
Private Equity Secondary FoFs	Portfolio Advisors	16,589,733	1.54%
Total Private Equity		**48,946,149**	**4.54%**
Illiquid Securities Liquidating Trust	U.S. Bank (Custodian)	2,998,203	0.28%
Total Illiquid Securities Liquidating Trust		**2,998,203**	**0.28%**
Cash and Equivalents	Northern Trust	41,951,360	3.89%
Investment Cash Equivalents		**41,951,360**	**3.89%**
Total Investments		**1,071,095,809**	**99.35%**
Cash and Equivalents	Illinois Treasury and lock box	6,998,359	0.65%
Total Cash Equivalents		**6,998,359**	**0.65%**
TOTAL PORTFOLIO		**$ 1,078,094,168**	**100%**

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 $1,354,960 for the year ended June 30, 2013 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 2013 amounts to $2,813,116.

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
- Camelot Secondary
- Portfolio Advisors
- Morgan Stanley

Approximately $3.6 million in investment advisory fees are included in the amount reported for income from investment securities for the fiscal year ending June 30, 2013 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.

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 $6,524,572 at June 30, 2013. 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 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 ensure that the investment managers comply with investment policy guidelines.

Per the investment policy:

- No more than 20% of the portfolio may be invested in un-hedged non-dollar bonds.
- Obligations of national governments other than U.S. are limited to 10% per issuer.
- Private mortgage backed and asset backed securities are limited to 10% per issuer, unless the collateral is credit-independent of the issuer and the security's credit enhancement is generated internally, in which case the limit is 25% per issuer.
- Obligations of other issuers are subject to a 5% per issuer limit excluding investments in commingled vehicles.

As of June 30, 2013, all portfolios are within the guidelines permitted by the investment policy.

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)	5.5 Years	5.5 Years	N/A
Piedmont	5.1 Years	5.5 Years	N/A
Pugh Capital	5.3 Years	5.5 Years	N/A

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 bills	$ 360,990	0.13
U.S. treasury notes	27,735,724	5.95
U.S. treasury bonds	1,271,643	25.41
U.S. agency obligations	3,411,276	5.81
Index linked government bonds (U.S. Treasuries)	1,896,788	6.28
Bond common collective trust	66,290,554	7.44
Municipal/provincial bonds	4,878,094	8.95
Canada government note	429,325	3.63
Corporate debt securities	65,383,471	6.51
U.S. agency asset-backed securities	4,733,430	16.35
Corporate asset-backed securities	6,752,054	4.36
Mortgage backed securities (MBS):		
Government agencies	26,412,719	21.10
Commercial	15,324,805	32.09
Total Fair Value	**$ 224,880,873**	
Portfolio weighted average maturity		**10.4**

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, 2013, 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, 2013

	Total Fair Value	Moody's *
Money market mutual funds	$ 51,585,246	NR
Illinois Funds	6,524,572	Aaa
Mortgage backed securities - government agencies	26,412,719	NR
Canada government note	429,325	Aaa
Bond common collective trust	66,290,554	Aa

*NR - not rated

Note 3. Deposits and Investments - Continued

C. Investments – Continued

Credit Ratings (Multiple-Rated Securities), continued
June 30, 2013

Rating Agency	Investment Type	Credit Rating*	Fair Value
Moody's:	Commercial Mortgage-Backed	Aaa	$ 8,491,791
	Commercial Mortgage-Backed	Aa	368,986
	Commercial Mortgage-Backed	A	511,465
	Commercial Mortgage-Backed	NR	5,952,563
			15,324,805
Moody's:	Corporate Asset Backed Securities	Aaa	5,381,666
	Corporate Asset Backed Securities	Aa	121,614
	Corporate Asset Backed Securities	NR	1,248,774
			6,752,054
Moody's:	Corporate Bonds	Aaa	320,427
	Corporate Bonds	Aa	6,629,821
	Corporate Bonds	A	16,439,439
	Corporate Bonds	Baa	30,056,743
	Corporate Bonds	Ba	11,125,424
	Corporate Bonds	B	250,972
	Corporate Bonds	NR	560,644
			65,383,471
Moody's:	Municipal/Provincial Bonds	Aaa	1,134,627
	Municipal/Provincial Bonds	Aa	1,807,695
	Municipal/Provincial Bonds	A	1,256,035
	Municipal/Provincial Bonds	NR	489,878
	Municipal/Provincial Bonds	WR	189,858
			4,878,094
Moody's:	U.S. Agency obligations	Aaa	3,052,829
	U.S. Agency obligations	Aa	358,447
			3,411,276
Moody's:	U.S. Agency Asset Backed	Aaa	4,276,475
	U.S. Agency Asset Backed	NR	456,955
			4,733,430

* NR - not rated, WR - withdrawn

Note 3. Deposits and Investments - Continued

C. Investments - Continued

Illiquid Trust

During fiscal year June 30, 2010, the Illinois Prepaid Tuition Program exited from its securities lending program. As of June 30, 2013, the value of the remaining Illiquid trust securities at U.S. Bank was $2,998,203.

Custodial Credit Risk

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

During fiscal year June 30, 2010, the Program exited its securities lending program. The counterparty continues to hold uninsured investments of $2,998,203 in the Program's name. These investments are subject to custodial credit risk.

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 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.

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, 2013, 12.51% 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.

Note 3. Deposits and Investments - Continued

C. Investments - Continued

Investments in Foreign Currency
June 30, 2013

Deposit or Investment Type	Foreign Currency Denomination	Fair Value in U.S. Dollars
Equities, cash and cash equivalents	Australian dollar	$ 1,769,406
Equities and recoverable taxes	Brazilian real	538,920
Equities, recoverable taxes, cash and cash equivalents	British pound sterling	20,594,494
Equities, recoverable taxes, cash and cash equivalents	Canadian dollar	1,297,933
Equities, recoverable taxes, cash and cash equivalents	Czech koruna	302,151
Equities, recoverable taxes, cash and cash equivalents	Danish krone	1,650,414
Equities, recoverable taxes, cash and cash equivalents	Euro	32,176,289
Equities, cash and cash equivalents	Hong Kong dollar	5,178,726
Equities	Indonesian rupiah	495,282
Equities, cash and cash equivalents	Japanese yen	10,541,369
Equities, cash and cash equivalents	Malaysian ringgit	1,756,668
Equities, cash and cash equivalents	New Israeli shekel	880,055
Equities	New Zealand dollar	357,305
Equities	Norwegian krone	648,878
Equities	Singapore dollar	2,417,647
Cash and cash equivalents	South African rand	92
Equities	Swedish krona	2,538,851
Equities, recoverable taxes, cash and cash equivalents	Swiss franc	7,854,447
Equities, cash and cash equivalents	Thai baht	329,256
Total		$ 91,328,184

Note 4. Balances Due to Other State of Illinois Component Units and Transfers

As of June 30, 2013, the Illinois Prepaid Tuition Program owed $46,266 to Illinois Universities for payment of tuition and fee benefits. In addition the Illinois Prepaid Tuition Program owed $990 to the Illinois Designated Account Purchase Program and $303,143 to Student Loan Operating Fund for expense reimbursements.

Note 5. 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 6. Tuition Obligation

The tuition obligation is management's estimate of the present value of the estimated tuition payments to be made and is expected to be financed from investments of prepaid tuition contracts. The estimate for the future tuition obligation is based on a closed group projection for existing contracts assuming no new contract sales after June 30, 2013. See actuarial assumptions and additional information in Note 10.

Tuition obligation activity for the year ended June 30, 2013 is as follows:

Balance July 1, 2012	$ 1,594,656,591
Add:	
Contributions received in FY2013	47,086,811
Change in contracts receivable, at present value*	(13,350,694)
Adjust tuition obligation based on actuarial valuation	50,868,027
Less:	
Return of contributions	(18,046,028)
Tuition payments	(103,725,224)
Balance June 30, 2013	$ 1,557,489,483
Reported as:	
Current	$ 160,592,076
Noncurrent	1,396,897,407
	$ 1,557,489,483

*See Note 10. Discount rate used in determining fair value was 7.0%.

The accreted tuition expense is calculated at least annually by the Commission's actuary. Accreted tuition expense is reflected as an expense in the Statement of Revenues, Expenses, and Changes in Net Position and as an increase to the tuition obligation on the Statement of Net Position.

Note 7. Pension Plan

A majority of ISAC's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined/benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2013 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois 62794-9255.

Note 7. Pension Plan - Continued

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' 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 2013, 2012 and 2011, the employer contribution rate was 38.0%, 34.2% and 30.3%, respectively. The required and actual contribution for fiscal years 2013, 2012 and 2011 was $451,140, $593,329 and $584,767, respectively.

Note 8. Post-employment Benefits

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

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

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

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

Note 9. Fund Deficits

As of June 30, 2013, the Illinois Prepaid Tuition Program has a deficit in net position of $389,052,907. 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, 2013.

Reconciliation of Fund Deficit with Unfunded Liability in the Actuarial Report

Unfunded liability per actuarial soundness report	$ (448,506,323)
Present value of accrued future administrative expense	60,886,378
Other accrued liabilities	(1,432,962)
Fund deficit per Statement of Net Position	$ (389,052,907)

Note 10. 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, 2013 to evaluate the financial viability of the Program as of June 30, 2013. The complete Actuarial Soundness Report as of June 30, 2013 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

Note 10. Program Risks and Actuarial Data - Continued

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

APV of future benefits obligation*	$ 1,557,489,483
Funded ratio	72.30 %
Actuarial assumptions:	
Actuarial valuation date	June 30, 2013
Assumed net investment return	7.00 %
Rates of cancellations	12.5 %
Tuition increases by contract type:	
Legacy:	
Through June 30, 2017	7.25 %
June 30, 2018 through June 30, 2022	6.75
June 30, 2023 and beyond	5.00
University Plus:	
Through June 30, 2017	7.50 %
June 30, 2018 through June 30, 2022	7.25
June 30, 2023 and beyond	5.00
University:	
Through June 30, 2017	7.00 %
June 30, 2018 through June 30, 2022	6.50
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, 2013

Note 11. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and natural disasters. The State retains the risk of loss (i.e., self insured) for these risks except for insurance purchased by the Commission for the building and EDP equipment. There has been no reduction in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded coverage for the current or prior two years. The Commission's risk management activities for workers' compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the general fund of the State. The claims are not considered to be a liability of the Commission and, accordingly, have not been reported in the Commission's financial statements for the year ended June 30, 2013.

Note 12. New Governmental Accounting Standards

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

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term "deferred" in financial statement presentations. The Commission is required to implement this Statement for the year ending June 30, 2014.

Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, was established to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The Commission is required to implement this Statement for the year ending June 30, 2014.

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

OTHER INFORMATION

Gabriel Roeder Smith & Company
Consultants & Actuaries

COLLEGE ILLINOIS!® PREPAID TUITION PROGRAM
ACTUARIAL SOUNDNESS VALUATION REPORT
AS OF JUNE 30, 2013

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
20 North Clark Street
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Chicago, IL 60602-5111
312.456.9800 phone
312.456.9801 fax
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November 7, 2013

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, 2013

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, 2013. 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, 2013.

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, 2013, 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 the 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, 2013, and do not reflect subsequent market volatility.

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The valuation results reflect changes to the investment return assumption from 7.25 percent to 7.00 percent. The major actuarial assumptions used in this analysis were provided by and are the responsibility of ISAC. We are unable to judge the reasonableness of some of these assumptions without performing a substantial amount of additional work beyond the scope of the assignment.

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, 2013. 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.

The undersigned 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

Alex Rivera

Alex Rivera, FSA, EA, MAAA
Senior Consultant

Lance J. Weiss

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

Paul T Wood

Paul T. Wood, ASA, MAAA, FCA
Consultant

Table of Contents

SECTION A

EXECUTIVE SUMMARY

SUMMARY OF RESULTS

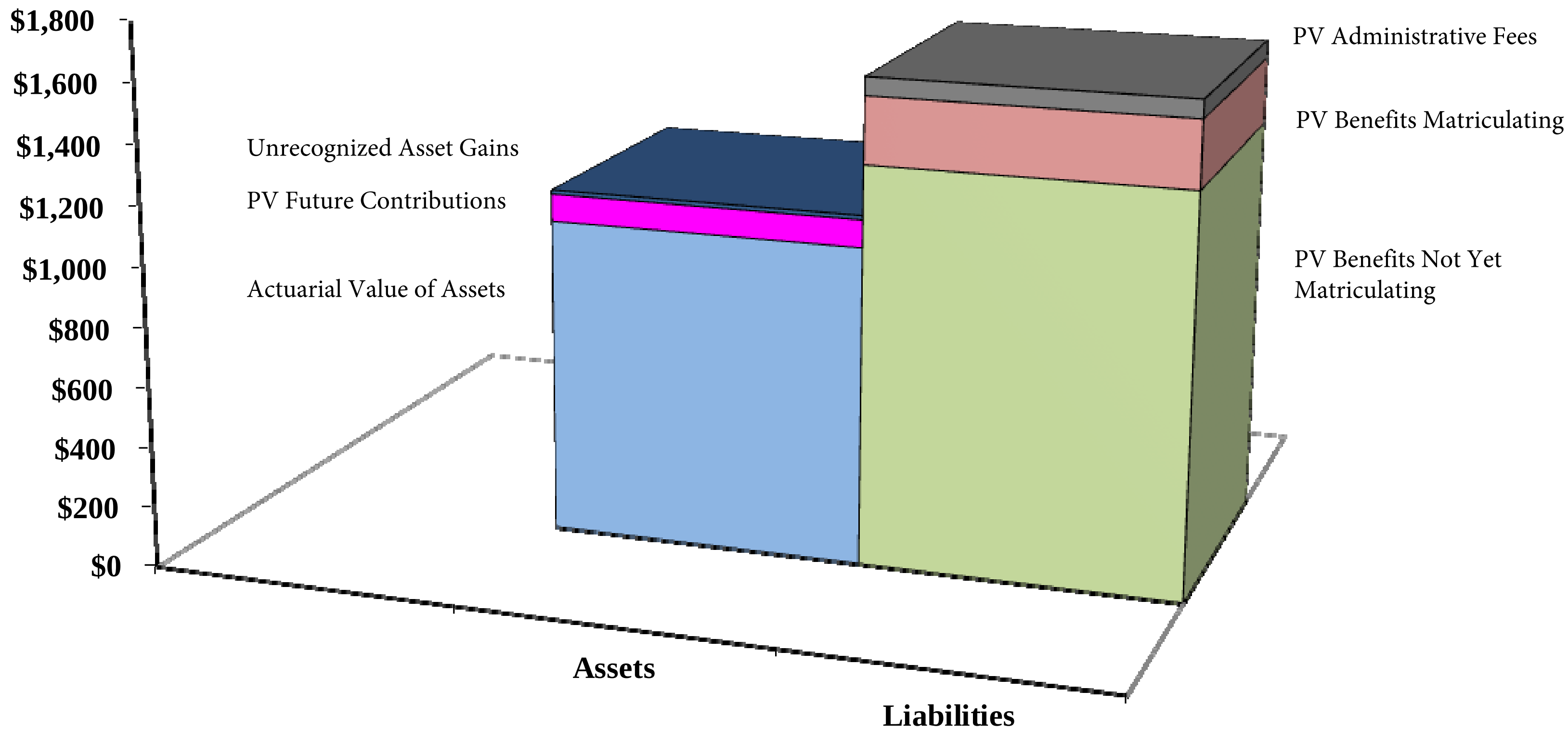
Principal Valuation Results

Valuation Date:	June 30, 2013	June 30, 2012
Membership Summary:		
Counts		
Not yet Matriculating	37,316	40,229
Matriculating	10,873	9,934
Total	48,189	50,163
Average years until Enrollment if Not yet Matriculating	5.4	5.8
Assets [1]		
· Market Value of Assets (MVA)	$1,169,869,538	$1,176,055,767
· Actuarial Value of Assets (AVA)	$1,155,965,846	$1,211,920,275
· Estimated Return on MVA	8.47%	2.82%
· Estimated Return on AVA	3.50%	0.78%
· Ratio – AVA to MVA	98.8%	103.0%
Actuarial Liabilities (Present Value of Future Tuition Payments, Fees, and Administrative Expenses)	$1,618,375,861	$1,643,460,352
Unfunded Liabilities (Based on Actuarial Value of Assets)	$462,410,015	$431,540,077
Unfunded Liabilities (Based on Market Value of Assets)	$448,506,323	$467,404,585
Funded Ratio		
· Based on Actuarial Value	71.4%	73.7%
· Based on Market Value	72.3%	71.6%

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

37

SUMMARY OF ASSETS AND LIABILITIES AS OF JUNE 30, 2013
$ IN MILLIONS



ASSETS	LIABILTIES
Actuarial Value of Assets	PV Benefits Not Yet Matriculating
PV Future Contributions	PV Benefits Matriculating
Unrecognized Asset Gains	PV Administrative Fees

Funded Status as of June 30, 2013 (Based on Market Value of Assets)

	June 30, 2013
Actuarial Present Value of Future Tuition Payments, Fees and Expenses	$1,618,375,861
Market Value of Assets (Including the Present Value of Installment Contract Receivables)	$1,169,869,538
Deficit/(Surplus) as of June 30, 2013	$448,506,323

Funded Status as of June 30, 2013 (Based on Actuarial Value of Assets)

	June 30, 2013
Actuarial Present Value of Future Tuition Payments, Fees and Expenses	$1,618,375,861
Actuarial Value of Assets (Including the Present Value of Installment Contract Receivables)	$1,155,965,846
Deficit/(Surplus) as of June 30, 2013	$462,410,015

Gain/Loss Summary

	Unfunded Liability (Market Value of Assets)
Value at June 30, 2012	$ 467,404,585
Expected Value at June 30, 2013	$ 491,441,672
(Gain)/Loss Due to:	
Investment Experience	$ (13,003,926)
Change in Discount Rate	24,441,468
Tuition/Fee Inflation	(66,164,363)
Other Demographic Experience*	11,791,472
Total	$ (42,935,349)
Actual Value at June 30, 2013	$ 448,506,323

**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, 2013, 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, 2013.

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, 2013, 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, for illustrative purposes, also presents the results of a continuing business model. 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, with the exception of the discount rate assumption used for this June 30, 2013, actuarial soundness valuation are consistent with the assumptions and methods used for the June 30, 2012, actuarial soundness valuation. The change in the discount rate assumption is discussed below.

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 100 percent exempt from state and federal income taxes.

The first CIPTP contracts were offered for sale in 1998. As of June 30, 2013, the CIPTP had 48,189 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 analysis were provided by and are the responsibility of ISAC.

Key Actuarial Assumptions – Changes Since Prior Valuation

The net investment return assumption of 7.00 percent was provided to us by ISAC. This represents a decrease from the 7.25 percent rate used in the June 30, 2012, valuation. Given the current asset allocation and expected liquidity requirements, the net investment rate of return assumption of 7.00 percent appears to be a reasonable assumption 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.

Financial Status of Program as of June 30, 2013

As of June 30, 2013, the present value of all future tuition obligations under contracts outstanding (and including future administrative expenses) at that date is $1,618,375,861. Fund assets as of June 30, 2013, including the actuarial value of program assets and the present value of installment contract receivables, is $1,155,965,846. Fund assets, including the market value of program assets and the present value of installment contract receivables, is $1,169,869,538.

The difference between the present value of future tuition obligations and the value of assets as of June 30, 2013, represents a program deficit of $462,410,015 on an actuarial value of assets basis, and $448,506,323 on a market value of assets basis. The comparable program deficit as of the last valuation as of June 30, 2012, was $431,540,077 on an actuarial value of assets basis, and $467,404,585 on a market value of assets basis.

The following table summarizes the deficit of the CIPTP as of June 30, 2013, with comparable figures from the prior actuarial valuations as of June 30, 2012.

CIPTP Deficit (Unfunded Liabilities)

Deficit based on:	June 30, 2013	June 30, 2012
Actuarial Value of Assets	$462,410,015	$431,540,077
Market Value of Assets	$448,506,323	$467,404,585

Gain/Loss Analysis

As described above, the program deficit decreased from $467.4 million as of June 30, 2012, to $448.5 million as of June 30, 2013, based on the market value of assets. Based on the actuarial assumptions, the deficit was expected to increase to $491.4 million. The primary factors which caused the expected deficit to decrease by $42.9 million include investment returns that were higher than expected and tuition and fee increases less than expected. These gains were partially offset by the change in the net investment return assumption and other demographic losses which 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.

The funded ratio on a market value of assets basis increased from 71.6 percent as of June 30, 2012, to 72.3 percent as of June 30, 2013.

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, 2012.

Assets

CIPTP assets are held in trust. ISAC provided the asset information used in the June 30, 2013, 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, a reconciliation of the assets from the last valuation date to the current valuation date and a development of the actuarial value of assets. The approximate return on market value was 8.47 percent.

The actuarial value of assets is a smoothed market value. A smoothed value is used in order to dampen some of the year-to-year fluctuations in the deficit/surplus which occurs due to year to year fluctuations in market value. The smoothing method used phases in differences between the actual and expected market returns over five years.

The actuarial value is currently 98.8 percent of the market value. Over any short time period, a disparity between actuarial value and market value may appear, but in the long-run, we would expect the actuarial value and the market value to continue to track each other fairly closely. As of June 30, 2013, the plan has $13,903,692 in deferred asset gains (the difference between the market and actuarial values) that will be recognized over the next four valuations.

Open Group Ongoing Business Scenario

Exhibits III, IV, V, and VI 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 3,500, 2,500, 1,000 or 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.

Exhibit III illustrates the program results based on an investment return assumption of 7.00 percent and an assumption of 3,500 new contract sales each year. Under this new contract sales assumption, the CIPTP is projected to achieve a funded status of 100 percent in 12 years by 2025.

Exhibit IV 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 about 70 to 80 percent for a number of years before gradually improving to 100 percent in 2031.

Finally, Exhibits V and VI illustrate the program results based on an investment return assumption of 7.00 percent and an assumption of 1,000 and 500 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.

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.[a]

Closed Group (Run-Off) Scenario

While the closing of the program has not occurred, in Exhibit VII, we have provided a closed group projection (i.e., run off scenario) for illustration purposes assuming no new contract sales after June 30, 2013. Under this scenario, member payments, fund principal and investment income are projected to be insufficient to make the required tuition payments by the year 2023 and additional funds will be required to maintain solvency ($1.1 billion for the period 2023 to 2050). Under this scenario, the shortfall is expected to grow from the current level of $449 million until it reaches a high of $824 million in 2022.

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

SECTION B

VALUATION RESULTS

Exhibit I
Principal Valuation Results

Valuation Date:	**June 30, 2013**	**June 30, 2012**
1 Number of Members		
a. Not yet Matriculating:	37,316	40,229
b. Matriculating:	10,873	9,934
c. Total	48,189	50,163
Average Years until Enrollment if Not Yet Matriculating	5.4	5.8
2 Assets		
a. Market Value of Assets (in Trust)	$ 1,078,094,274	$ 1,070,929,809
b. PV Future Member Contributions	91,775,264	105,125,958
c. Unrecognized Gains and (Losses)	13,903,692	(35,864,508)
d. Total Actuarial Value of Assets (AVA) (2a + 2b - 2c)	$ 1,155,965,846	$ 1,211,920,275
3 Actuarial Results		
Liabilities		
a. Not yet Matriculating - Tuition and Fees	$ 1,334,944,523	$ 1,396,422,771
b. Matriculating - Tuition and Fees	222,544,960	198,233,820
c. Present Value of Future Administrative Expenses	60,886,378	48,803,761
d. Total	$ 1,618,375,861	$ 1,643,460,352
Unfunded Liability (Based on AVA)	$ 462,410,015	$431,540,077
Unfunded Liability (Based on MVA)	$ 448,506,323	$467,404,585
Funded Ratio		
Actuarial Value of Assets	71.4%	73.7%
Market Value of Assets	72.3%	71.6%

Exhibit II
Gain/Loss Summary

	Present Value of Benefits	Market Value of Assets	Unfunded Liability
1. Values at June 30, 2012	$ 1,643,460,352	$ 1,176,055,767	$ 467,404,585
2. Actual Tuition Payments, Refunds, and Administrative Expenses	$ (128,085,894)	$ (128,085,894)	$ -
3. Interest on 1. and 2. at 7.25%	$ 114,588,999	$ 80,702,167	$ 33,886,832
4. New Contracts	$ 17,701,724	$ 27,551,469	$ (9,849,745)
5. Projected Values at June 30, 2013 (1. + 2. + 3. + 4.)	$ 1,647,665,181	$ 1,156,223,509	$ 491,441,672
6. (Gain)/Loss Due to:			
Investment Experience	$ -	$ (13,003,926)	$ (13,003,926)
Change in Discount Rate	25,005,453	(563,985)	24,441,468
Tuition/Fee Inflation	(66,164,363)	-	(66,164,363)
Other Demographic Experience*	11,869,590	78,118	11,791,472
Total	$ (29,289,320)	$ (13,646,029)	$ (42,935,349)
7. Actual Values at June 30, 2013 (5. + 6.)	$ 1,618,375,861	$ 1,169,869,538	$ 448,506,323

**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
Continuing Business Model – Current Year Assumptions – New Contract Sales of 3,500 Per Year

Open Group Projections (Continuing Business Scenario)
Projection Based on Data as of June 30, 2013
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2013
7.00% Assumed Net Investment Return
3,500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2013			47,910,326	0	121,809,339	6,276,555	87,340,676	1,078,094,274	91,775,264	1,169,869,538	1,557,489,483	60,886,378	1,618,375,861	448,506,323	72.3%
2014	7.00%	3,500	32,359,468	0	160,592,076	5,523,368	70,785,140	1,015,123,438	190,036,102	1,205,159,540	1,578,181,494	61,695,283	1,639,876,777	434,717,237	73.5%
2015	7.00%	3,500	72,529,010	0	154,010,039	5,596,749	68,010,918	996,056,578	259,770,087	1,255,826,665	1,610,971,632	62,977,137	1,673,948,769	418,122,103	75.0%
2016	7.00%	3,500	86,326,904	0	151,939,147	5,713,034	67,227,576	991,958,877	326,711,608	1,318,670,485	1,652,265,116	64,591,408	1,716,856,524	398,186,039	76.8%
2017	7.00%	3,500	101,187,831	0	149,253,479	5,859,474	67,549,742	1,005,583,497	389,838,575	1,395,422,072	1,703,463,698	66,592,896	1,770,056,594	374,634,522	78.8%
2018	7.00%	3,500	117,760,984	0	162,991,326	6,041,041	68,596,346	1,022,908,460	447,509,750	1,470,418,210	1,748,524,184	68,354,429	1,816,878,613	346,460,403	80.9%
2019	7.00%	3,500	135,081,677	0	175,059,550	6,200,840	69,987,337	1,046,717,084	498,914,862	1,545,631,946	1,788,967,524	69,935,466	1,858,902,990	313,271,044	83.1%
2020	7.00%	3,500	146,894,688	0	184,682,475	6,344,265	71,725,574	1,074,310,606	549,636,361	1,623,946,967	1,827,199,195	71,430,043	1,898,629,238	274,682,272	85.5%
2021	7.00%	3,500	160,104,984	0	192,885,201	6,479,847	73,827,640	1,108,878,182	598,719,693	1,707,597,875	1,864,867,780	72,902,608	1,937,770,388	230,172,513	88.1%
2022	7.00%	3,500	174,182,701	0	197,660,728	6,613,433	76,568,272	1,155,354,994	645,396,550	1,800,751,544	1,905,632,611	74,496,213	1,980,128,824	179,377,280	90.9%
2023	7.00%	3,500	188,628,471	0	200,554,629	6,757,998	80,220,904	1,216,891,742	689,703,213	1,906,594,955	1,952,021,772	76,309,687	2,028,331,459	121,736,505	94.0%
2024	7.00%	3,500	203,844,771	0	199,649,008	6,922,509	85,086,986	1,299,251,982	731,101,044	2,030,353,026	2,008,625,621	78,522,481	2,087,148,102	56,795,076	97.3%
2025	7.00%	3,500	215,280,582	0	198,408,688	7,123,245	91,288,841	1,400,289,472	773,750,754	2,174,040,226	2,076,779,104	81,186,781	2,157,965,885	-16,074,341	100.7%
2026	7.00%	3,500	227,578,162	0	195,798,085	7,364,940	98,874,793	1,523,579,402	817,347,818	2,340,927,220	2,159,015,359	84,401,614	2,243,416,973	-97,510,248	104.3%
2027	7.00%	3,500	240,734,267	0	191,588,600	7,656,576	108,102,676	1,673,171,169	861,599,971	2,534,771,140	2,258,301,418	88,282,968	2,346,584,386	-188,186,754	108.0%
2028	7.00%	3,500	254,547,514	0	188,620,981	8,008,677	119,149,107	1,850,238,132	906,563,862	2,756,801,994	2,374,971,701	92,843,917	2,467,815,618	-288,986,376	111.7%
2029	7.00%	3,500	269,187,656	0	186,118,727	8,422,428	132,129,297	2,057,013,930	951,839,877	3,008,853,807	2,510,010,891	98,122,956	2,608,133,847	-400,719,960	115.4%
2030	7.00%	3,500	282,612,646	0	187,050,185	8,901,322	147,024,115	2,290,699,184	999,410,707	3,290,109,891	2,661,579,089	104,048,157	2,765,627,246	-524,482,645	119.0%
2031	7.00%	3,500	296,740,350	0	192,738,864	9,438,832	163,658,636	2,548,920,474	1,049,449,206	3,598,369,680	2,826,361,700	110,489,945	2,936,851,645	-661,518,035	122.5%
2032	7.00%	3,500	311,610,559	0	205,492,812	10,023,205	181,787,742	2,826,802,758	1,101,906,873	3,928,709,631	2,998,297,992	117,211,389	3,115,509,381	-813,200,251	126.1%
2033	7.00%	3,500	327,178,581	0	222,820,087	10,632,948	201,156,587	3,121,684,891	1,157,007,465	4,278,692,356	3,173,630,495	124,065,599	3,297,696,094	-980,996,262	129.7%
2034	7.00%	3,500	343,537,634	0	241,365,711	11,254,734	221,700,044	3,434,302,124	1,214,852,339	4,649,154,463	3,351,795,436	131,030,537	3,482,825,973	-1,166,328,490	133.5%
2035	7.00%	3,500	360,711,272	0	260,185,038	11,886,566	243,503,537	3,766,445,329	1,275,524,350	5,041,969,679	3,533,167,750	138,120,860	3,671,288,610	-1,370,681,068	137.3%
2036	7.00%	3,500	378,718,842	0	278,188,399	12,529,771	266,731,197	4,121,177,198	1,339,397,336	5,460,574,534	3,719,467,667	145,403,816	3,864,871,483	-1,595,703,051	141.3%
2037	7.00%	3,500	397,706,188	0	295,411,314	13,190,452	291,601,059	4,501,882,679	1,406,290,050	5,908,172,729	3,912,231,345	152,939,458	4,065,170,803	-1,843,001,926	145.3%
2038	7.00%	3,500	417,546,749	0	312,517,454	13,874,055	318,322,221	4,911,360,140	1,476,569,502	6,387,929,642	4,112,679,755	160,775,515	4,273,455,270	-2,114,474,372	149.5%
2039	7.00%	3,500	438,415,462	0	329,826,160	14,584,911	347,085,363	5,352,449,894	1,550,520,605	6,902,970,499	4,321,832,749	168,951,858	4,490,784,607	-2,412,185,892	153.7%
2040	7.00%	3,500	460,397,126	0	347,537,354	15,326,636	378,085,152	5,828,068,182	1,628,011,897	7,456,080,079	4,540,357,222	177,494,557	4,717,851,779	-2,738,228,299	158.0%
2041	7.00%	3,500	483,388,316	0	365,812,918	16,101,595	411,516,356	6,341,058,341	1,709,422,077	8,050,480,418	4,769,054,395	186,434,934	4,955,489,329	-3,094,991,089	162.5%
2042	7.00%	3,500	507,558,823	0	384,769,022	16,912,631	447,579,785	6,894,515,296	1,794,783,524	8,689,298,820	5,008,538,518	195,797,001	5,204,335,519	-3,484,963,301	167.0%
2043	7.00%	3,500	532,889,829	0	404,493,664	17,761,920	486,488,269	7,491,637,810	1,884,564,264	9,376,202,074	5,259,632,290	205,612,920	5,465,245,210	-3,910,956,864	171.6%
2044	7.00%	3,500	559,571,685	0	425,040,301	18,652,381	528,470,412	8,135,987,225	1,978,798,103	10,114,785,328	5,522,992,842	215,908,379	5,738,901,221	-4,375,884,107	176.2%
2045	7.00%	3,500	587,546,139	0	446,491,502	19,586,344	573,770,496	8,831,226,014	2,077,744,198	10,908,970,212	5,799,338,458	226,711,460	6,026,049,918	-4,882,920,295	181.0%
2046	7.00%	3,500	616,925,673	0	468,921,484	20,566,356	622,646,145	9,581,309,992	2,181,632,144	11,762,942,136	6,089,403,335	238,050,862	6,327,454,197	-5,435,487,940	185.9%
2047	7.00%	3,500	647,766,118	0	492,425,518	21,595,021	675,372,795	10,390,428,366	2,290,730,006	12,681,158,372	6,393,923,960	249,955,377	6,643,879,337	-6,037,279,035	190.9%
2048	7.00%	3,500	680,165,884	0	517,073,637	22,674,951	732,244,591	11,263,090,253	2,405,258,115	13,668,348,368	6,713,637,621	262,453,829	6,976,091,450	-6,692,256,918	195.9%
2049	7.00%	3,500	714,170,452	0	542,942,843	23,808,760	793,575,977	12,204,085,079	2,525,524,764	14,729,609,843	7,049,327,566	275,576,836	7,324,904,402	-7,404,705,441	201.1%
2050	7.00%	3,500	749,877,938	0	570,098,766	24,999,227	859,703,254	13,218,568,278	2,651,811,806	15,870,380,084	7,401,797,017	289,355,798	7,691,152,815	-8,179,227,270	206.3%

Exhibit IV
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, 2013
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2013
7.00% Assumed Net Investment Return
2,500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2013			47,910,326	0	121,809,339	6,276,555	87,340,676	1,078,094,274	91,775,264	1,169,869,538	1,557,489,483	60,886,378	1,618,375,861	448,506,323	72.3%
2014	7.00%	2,500	32,359,468	0	160,592,076	5,523,368	70,785,140	1,015,123,438	154,237,543	1,169,360,981	1,555,945,663	60,826,026	1,616,771,689	447,410,708	72.3%
2015	7.00%	2,500	56,895,779	0	154,000,686	5,517,894	67,466,843	979,967,480	200,082,049	1,180,049,529	1,563,845,921	61,134,868	1,624,980,789	444,931,260	72.6%
2016	7.00%	2,500	65,780,962	0	151,700,399	5,545,910	65,396,436	953,898,569	244,642,350	1,198,540,919	1,577,563,593	61,671,128	1,639,234,721	440,693,802	73.1%
2017	7.00%	2,500	75,519,834	0	148,724,893	5,594,558	64,014,913	939,113,865	287,171,834	1,226,285,699	1,598,346,125	62,483,572	1,660,829,697	434,543,999	73.8%
2018	7.00%	2,500	86,781,466	0	161,850,607	5,668,259	62,912,162	921,288,627	326,189,886	1,247,478,513	1,610,186,492	62,946,443	1,673,132,935	425,654,423	74.6%
2019	7.00%	2,500	98,548,105	0	173,080,551	5,710,249	61,681,710	902,727,642	361,270,905	1,263,998,547	1,614,642,581	63,120,644	1,677,763,225	413,764,678	75.3%
2020	7.00%	2,500	106,503,823	0	181,298,985	5,726,052	60,372,692	882,579,120	396,237,304	1,278,816,424	1,614,409,561	63,111,534	1,677,521,095	398,704,672	76.2%
2021	7.00%	2,500	115,663,752	0	187,878,033	5,725,226	59,052,656	863,692,269	430,148,844	1,293,841,113	1,611,050,128	62,980,205	1,674,030,333	380,189,220	77.3%
2022	7.00%	2,500	125,461,100	0	190,845,333	5,713,312	57,970,045	850,564,769	462,616,981	1,313,181,750	1,608,298,374	62,872,632	1,671,171,006	357,989,256	78.6%
2023	7.00%	2,500	135,516,745	0	191,840,961	5,703,553	57,368,562	845,905,562	493,551,335	1,339,456,897	1,608,410,628	62,877,020	1,671,287,648	331,830,751	80.1%
2024	7.00%	2,500	146,076,530	0	188,867,114	5,703,951	57,516,081	854,927,108	522,676,942	1,377,604,050	1,615,916,540	63,170,446	1,679,086,986	301,482,936	82.0%
2025	7.00%	2,500	154,032,966	0	184,558,102	5,730,570	58,575,948	877,247,350	552,915,840	1,430,163,190	1,632,931,098	63,835,590	1,696,766,688	266,603,498	84.3%
2026	7.00%	2,500	162,698,737	0	178,355,244	5,790,909	60,656,655	916,456,589	583,921,379	1,500,377,968	1,662,269,878	64,982,520	1,727,252,398	226,874,430	86.9%
2027	7.00%	2,500	172,036,671	0	170,153,127	5,894,954	64,011,562	976,456,741	615,456,474	1,591,913,215	1,707,114,695	66,735,623	1,773,850,318	181,937,103	89.7%
2028	7.00%	2,500	181,849,364	0	162,926,908	6,053,988	68,802,368	1,058,127,577	647,499,021	1,705,626,598	1,767,807,268	69,108,256	1,836,915,524	131,288,926	92.9%
2029	7.00%	2,500	192,257,473	0	155,845,066	6,269,224	75,123,942	1,163,394,702	679,919,388	1,843,314,090	1,845,585,634	72,148,818	1,917,734,452	74,420,362	96.1%
2030	7.00%	2,500	201,888,628	0	151,323,551	6,545,052	82,978,330	1,290,393,057	713,863,520	2,004,256,577	1,939,185,586	75,807,887	2,014,993,473	10,736,896	99.5%
2031	7.00%	2,500	211,951,581	0	150,977,442	6,876,988	92,220,914	1,436,711,122	749,592,336	2,186,303,458	2,045,760,886	79,974,197	2,125,735,083	-60,568,375	102.8%
2032	7.00%	2,500	222,571,931	0	156,562,564	7,254,939	102,626,184	1,598,091,734	787,103,230	2,385,194,964	2,160,350,356	84,453,802	2,244,804,158	-140,390,806	106.3%
2033	7.00%	2,500	233,711,549	0	166,139,243	7,661,311	113,963,306	1,771,966,035	826,442,597	2,598,408,632	2,279,663,384	89,118,064	2,368,781,448	-229,627,184	109.7%
2034	7.00%	2,500	245,385,861	0	177,325,483	8,084,434	126,136,780	1,958,078,759	867,726,745	2,825,805,504	2,402,702,907	93,928,003	2,496,630,910	-329,174,593	113.2%
2035	7.00%	2,500	257,637,602	0	189,271,938	8,520,772	139,160,084	2,157,083,735	911,106,336	3,068,190,071	2,529,325,881	98,878,030	2,628,203,911	-439,986,160	116.7%
2036	7.00%	2,500	270,523,642	0	201,020,582	8,969,819	153,114,525	2,370,731,501	956,682,502	3,327,414,003	2,660,371,344	104,000,943	2,764,372,287	-563,041,716	120.4%
2037	7.00%	2,500	284,061,689	0	212,548,285	9,434,549	168,123,965	2,600,934,321	1,004,523,343	3,605,457,664	2,796,747,117	109,332,233	2,906,079,350	-699,378,315	124.1%
2038	7.00%	2,500	298,263,977	0	224,241,689	9,918,182	184,309,046	2,849,347,473	1,054,767,494	3,904,114,967	2,939,071,179	114,896,056	3,053,967,235	-850,147,731	127.8%
2039	7.00%	2,500	313,183,220	0	236,236,096	10,422,910	201,782,671	3,117,654,358	1,107,513,427	4,225,167,785	3,087,866,498	120,712,858	3,208,579,356	-1,016,588,429	131.7%
2040	7.00%	2,500	328,842,535	0	248,639,923	10,950,587	220,659,626	3,407,566,009	1,162,754,552	4,570,320,561	3,243,525,086	126,797,964	3,370,323,050	-1,199,997,512	135.6%
2041	7.00%	2,500	345,226,274	0	261,531,317	11,502,603	241,056,353	3,720,814,716	1,220,997,891	4,941,812,607	3,406,694,186	133,176,675	3,539,870,861	-1,401,941,746	139.6%
2042	7.00%	2,500	362,554,092	0	274,969,684	12,081,255	263,099,640	4,059,417,509	1,282,101,924	5,341,519,433	3,577,720,990	139,862,564	3,717,583,554	-1,623,935,879	143.7%
2043	7.00%	2,500	380,691,867	0	288,998,450	12,687,772	286,924,423	4,425,347,577	1,346,184,855	5,771,532,432	3,757,012,790	146,871,554	3,903,884,344	-1,867,648,088	147.8%
2044	7.00%	2,500	399,703,429	0	303,639,373	13,323,599	312,670,246	4,820,758,280	1,413,488,182	6,234,246,462	3,945,095,214	154,224,193	4,099,319,407	-2,134,927,055	152.1%
2045	7.00%	2,500	419,686,003	0	318,941,327	13,990,601	340,489,472	5,248,001,827	1,484,159,653	6,732,161,480	4,142,473,687	161,940,239	4,304,413,926	-2,427,747,554	156.4%
2046	7.00%	2,500	440,678,149	0	334,951,668	14,690,570	370,546,385	5,709,584,123	1,558,350,750	7,267,934,873	4,349,660,471	170,039,718	4,519,700,189	-2,748,234,684	160.8%
2047	7.00%	2,500	462,704,994	0	351,736,508	15,425,322	403,014,899	6,208,142,186	1,636,269,891	7,844,412,077	4,567,179,972	178,543,129	4,745,723,101	-3,098,688,976	165.3%
2048	7.00%	2,500	485,839,780	0	369,344,823	16,196,718	438,080,391	6,746,520,816	1,718,086,688	8,464,607,504	4,795,556,371	187,470,966	4,983,027,337	-3,481,580,167	169.9%
2049	7.00%	2,500	510,131,779	0	387,823,759	17,006,615	475,942,006	7,327,764,227	1,803,996,387	9,131,760,614	5,035,341,804	196,844,812	5,232,186,616	-3,899,573,997	174.5%
2050	7.00%	2,500	535,639,873	0	407,220,431	17,856,973	516,813,182	7,955,139,878	1,894,200,360	9,849,340,238	5,287,111,329	206,687,148	5,493,798,477	-4,355,541,761	179.3%

Exhibit V
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, 2013
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2013
7.00% Assumed Net Investment Return
1,000 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[2]	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2013			47,910,326	0	121,809,339	6,276,555	87,340,676	1,078,094,274	91,775,264	1,169,869,538	1,557,489,483	60,886,378	1,618,375,861	448,506,323	72.3%
2014	7.00%	1,000	32,359,468	0	160,592,076	5,523,368	70,785,140	1,015,123,438	100,539,705	1,115,663,143	1,522,591,914	59,522,140	1,582,114,054	466,450,911	70.5%
2015	7.00%	1,000	33,445,933	0	153,986,654	5,399,610	66,650,729	955,833,836	110,531,198	1,066,365,034	1,493,145,678	58,371,009	1,551,516,687	485,151,653	68.7%
2016	7.00%	1,000	34,953,841	0	151,342,273	5,295,184	62,649,442	896,799,662	121,546,339	1,018,346,001	1,465,510,921	57,290,693	1,522,801,614	504,455,613	66.9%
2017	7.00%	1,000	37,024,176	0	147,931,897	5,197,182	58,712,305	839,407,064	133,173,580	972,580,644	1,440,669,473	56,319,575	1,496,989,048	524,408,405	65.0%
2018	7.00%	1,000	40,312,295	0	160,139,506	5,109,086	54,385,724	768,856,491	144,255,482	913,111,973	1,402,706,692	54,835,510	1,457,542,202	544,430,229	62.6%
2019	7.00%	1,000	43,766,853	0	170,111,907	4,974,458	49,223,771	686,760,750	154,765,187	841,525,937	1,353,141,340	52,897,869	1,406,039,209	564,513,273	59.9%
2020	7.00%	1,000	45,892,716	0	176,223,918	4,798,683	43,343,707	594,974,572	166,049,752	761,024,324	1,295,165,352	50,631,435	1,345,796,787	584,772,463	56.5%
2021	7.00%	1,000	48,968,552	0	180,366,901	4,593,081	36,888,520	495,871,662	177,355,889	673,227,551	1,230,337,098	48,097,127	1,278,434,225	605,206,674	52.7%
2022	7.00%	1,000	52,421,636	0	180,621,938	4,363,179	30,071,295	393,379,476	188,420,008	581,799,484	1,162,280,130	45,436,600	1,207,716,730	625,917,247	48.2%
2023	7.00%	1,000	55,830,197	0	178,770,481	4,121,826	23,089,389	289,406,755	199,339,977	488,746,732	1,092,992,194	42,727,952	1,135,720,146	646,973,414	43.0%
2024	7.00%	1,000	59,430,730	0	172,693,858	3,876,109	16,158,600	188,426,118	210,079,559	398,505,677	1,026,868,879	40,143,017	1,067,011,896	668,506,219	37.3%
2025	7.00%	1,000	62,175,524	0	163,781,717	3,641,614	9,506,155	92,684,466	221,660,256	314,344,722	967,157,924	37,808,758	1,004,966,682	690,621,960	31.3%
2026	7.00%	1,000	65,375,903	0	152,189,272	3,429,859	3,329,400	5,770,638	233,776,431	239,547,069	917,148,647	35,853,763	953,002,410	713,455,341	25.1%
2027	7.00%	1,000	68,986,391	66,299,951	137,999,613	3,252,510	195,142	-1	246,275,883	246,275,882	880,354,248	34,415,373	914,769,621	668,493,739	26.9%
2028	7.00%	1,000	72,818,634	54,688,950	124,385,558	3,122,025	0	0	258,993,582	258,993,582	857,126,501	33,507,339	890,633,840	631,640,258	29.1%
2029	7.00%	1,000	76,895,332	36,580,341	110,436,021	3,039,652	0	0	271,996,628	271,996,628	848,950,931	33,187,734	882,138,665	610,142,038	30.8%
2030	7.00%	1,000	80,767,532	19,977,354	97,734,228	3,010,658	0	0	285,531,876	285,531,876	855,596,683	33,447,534	889,044,217	603,512,341	32.1%
2031	7.00%	1,000	84,770,934	6,596,438	88,333,146	3,034,226	0	0	299,826,345	299,826,345	874,884,185	34,201,534	909,085,719	609,259,373	33.0%
2032	7.00%	1,000	89,027,064	0	83,167,669	3,102,626	96,487	2,853,256	314,868,018	317,721,274	903,431,747	35,317,533	938,749,280	621,028,007	33.8%
2033	7.00%	1,000	93,497,263	0	81,117,908	3,203,865	520,870	12,549,616	330,575,697	343,125,313	938,714,589	36,696,833	975,411,422	632,286,109	35.2%
2034	7.00%	1,000	98,149,926	0	81,267,206	3,328,990	1,352,854	27,456,200	347,036,381	374,492,581	979,070,455	38,274,450	1,017,344,905	642,852,324	36.8%
2035	7.00%	1,000	103,029,704	0	82,903,713	3,472,105	2,504,820	46,614,906	364,475,004	411,089,910	1,023,568,692	40,014,004	1,063,582,696	652,492,786	38.7%
2036	7.00%	1,000	108,232,753	0	85,269,033	3,629,910	3,939,727	69,888,443	382,651,079	452,539,522	1,071,762,140	41,898,013	1,113,660,153	661,120,631	40.6%
2037	7.00%	1,000	113,613,888	0	88,253,931	3,800,820	5,646,761	97,094,341	401,785,978	498,880,319	1,123,489,160	43,920,159	1,167,409,319	668,529,000	42.7%
2038	7.00%	1,000	119,296,275	0	91,826,156	3,984,261	7,618,609	128,198,808	421,891,255	550,090,063	1,178,548,844	46,072,587	1,224,621,431	674,531,369	44.9%
2039	7.00%	1,000	125,269,397	0	95,853,113	4,179,521	9,857,203	163,292,774	443,021,918	606,314,692	1,236,882,768	48,353,015	1,285,235,783	678,921,091	47.2%
2040	7.00%	1,000	131,548,261	0	100,295,925	4,386,392	12,370,802	202,529,520	465,111,065	667,640,585	1,298,399,966	50,757,884	1,349,157,850	681,517,265	49.5%
2041	7.00%	1,000	138,091,624	0	105,110,276	4,604,552	15,170,254	246,076,570	488,442,339	734,518,909	1,363,242,891	53,292,766	1,416,535,657	682,016,748	51.9%
2042	7.00%	1,000	145,038,944	0	110,274,667	4,834,506	18,272,902	294,279,243	512,825,965	807,105,208	1,431,369,454	55,956,013	1,487,325,467	680,220,259	54.3%
2043	7.00%	1,000	152,262,580	0	115,757,703	5,076,105	21,699,554	347,407,569	538,475,454	885,883,023	1,502,943,564	58,754,034	1,561,697,598	675,814,575	56.7%
2044	7.00%	1,000	159,883,192	0	121,538,028	5,329,931	25,474,063	405,896,865	565,393,915	971,290,780	1,578,100,353	61,692,111	1,639,792,464	668,501,685	59.2%
2045	7.00%	1,000	167,875,106	0	127,616,801	5,596,461	29,625,945	470,184,654	593,666,434	1,063,851,088	1,657,017,355	64,777,185	1,721,794,540	657,943,453	61.8%
2046	7.00%	1,000	176,272,241	0	133,999,213	5,876,327	34,186,810	540,768,165	623,343,202	1,164,111,367	1,739,875,538	68,016,331	1,807,891,869	643,780,501	64.4%
2047	7.00%	1,000	185,081,505	0	140,702,496	6,170,169	39,191,081	618,168,086	654,511,229	1,272,679,315	1,826,875,748	71,417,399	1,898,293,147	625,613,831	67.0%
2048	7.00%	1,000	194,337,039	0	147,740,671	6,478,700	44,675,884	702,961,638	687,234,717	1,390,196,355	1,918,222,305	74,988,377	1,993,210,682	603,014,327	69.7%
2049	7.00%	1,000	204,053,070	0	155,128,954	6,802,645	50,681,566	795,764,675	721,593,661	1,517,358,336	2,014,134,197	78,737,826	2,092,872,023	575,513,687	72.5%
2050	7.00%	1,000	214,254,866	0	162,887,060	7,142,780	57,251,403	897,241,104	757,675,281	1,654,916,385	2,114,842,520	82,674,781	2,197,517,301	542,600,915	75.3%

[1] *Additional contributions in the amount of $184,143,034 are needed over the years 2027 through 2031 to maintain solvency.*

Exhibit VI
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, 2013
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2013
7.00% Assumed Net Investment Return
500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[2]	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2013			47,910,326	0	121,809,339	6,276,555	87,340,676	1,078,094,274	91,775,264	1,169,869,538	1,557,489,483	60,886,378	1,618,375,861	448,506,323	72.3%
2014	7.00%	500	32,359,468	0	160,592,076	5,523,368	70,785,140	1,015,123,438	82,640,425	1,097,763,863	1,511,473,998	59,087,511	1,570,561,509	472,797,646	69.9%
2015	7.00%	500	25,629,318	0	153,981,977	5,360,182	66,378,691	947,789,288	80,668,384	1,028,457,672	1,469,571,148	57,449,418	1,527,020,566	498,562,894	67.4%
2016	7.00%	500	24,672,662	0	151,222,894	5,211,581	61,733,587	877,761,062	80,519,586	958,280,648	1,428,159,773	55,830,538	1,483,990,311	525,709,663	64.6%
2017	7.00%	500	24,196,515	0	147,667,488	5,064,723	56,944,525	806,169,891	81,842,067	888,011,958	1,388,110,394	54,264,902	1,442,375,296	554,363,338	61.6%
2018	7.00%	500	24,822,642	0	159,569,125	4,922,695	51,543,471	718,044,184	83,640,943	801,685,127	1,333,564,584	52,132,562	1,385,697,146	584,012,019	57.9%
2019	7.00%	500	25,519,173	0	169,122,262	4,729,257	45,071,461	614,783,299	85,903,426	700,686,725	1,265,965,045	49,489,918	1,315,454,963	614,768,238	53.3%
2020	7.00%	500	25,672,473	0	174,532,342	4,489,527	37,667,602	499,101,505	89,357,205	588,458,710	1,188,770,372	46,472,174	1,235,242,546	646,783,836	47.6%
2021	7.00%	500	26,756,484	0	177,862,962	4,215,770	29,500,827	373,280,084	93,093,579	466,373,663	1,103,443,687	43,136,529	1,146,580,216	680,206,552	40.7%
2022	7.00%	500	28,071,422	0	177,214,525	3,913,173	20,772,636	240,996,444	96,993,120	337,989,564	1,013,597,614	39,624,208	1,053,221,822	715,232,258	32.1%
2023	7.00%	500	29,254,838	0	174,413,778	3,594,549	11,663,379	103,906,334	101,270,901	205,177,235	921,186,383	36,011,609	957,197,992	752,020,757	21.4%
2024	7.00%	500	30,552,637	32,597,410	167,303,293	3,266,829	3,513,741	0	105,899,666	105,899,666	830,532,985	32,467,728	863,000,713	757,101,048	12.3%
2025	7.00%	500	31,566,529	128,235,198	156,856,385	2,945,342	0	0	111,230,857	111,230,857	745,234,653	29,133,191	774,367,844	663,136,987	14.4%
2026	7.00%	500	32,926,931	113,183,402	143,467,487	2,642,846	0	0	117,122,099	117,122,099	668,815,620	26,145,769	694,961,389	577,839,291	16.9%
2027	7.00%	500	34,663,308	94,990,414	127,281,883	2,371,839	0	0	123,141,239	123,141,239	604,741,721	23,640,951	628,382,672	505,241,433	19.6%
2028	7.00%	500	36,434,691	77,248,777	111,538,856	2,144,612	0	0	129,500,683	129,500,683	553,567,331	21,640,409	575,207,740	445,707,057	22.5%
2029	7.00%	500	38,454,958	58,808,370	95,300,197	1,963,131	0	0	136,019,811	136,019,811	516,741,272	20,200,781	536,942,053	400,922,242	25.3%
2030	7.00%	500	40,394,087	41,310,199	79,871,752	1,832,534	0	0	142,752,932	142,752,932	494,402,562	19,327,502	513,730,064	370,977,133	27.8%
2031	7.00%	500	42,377,003	26,828,643	67,452,332	1,753,314	0	0	149,929,601	149,929,601	484,610,232	18,944,694	503,554,926	353,625,325	29.8%
2032	7.00%	500	44,520,060	15,902,474	58,703,947	1,718,587	0	0	157,449,586	157,449,586	484,461,326	18,938,873	503,400,199	345,950,613	31.3%
2033	7.00%	500	46,754,640	7,740,263	52,776,844	1,718,059	0	0	165,279,382	165,279,382	491,731,885	19,223,098	510,954,983	345,675,602	32.3%
2034	7.00%	500	49,069,123	1,922,917	49,248,197	1,743,843	0	0	173,565,608	173,565,608	504,587,178	19,725,646	524,312,824	350,747,216	33.1%
2035	7.00%	500	51,535,853	0	47,448,526	1,789,432	80,426	2,378,321	182,223,291	184,601,612	521,653,718	20,392,822	542,046,540	357,444,928	34.1%
2036	7.00%	500	54,104,048	0	46,687,714	1,849,955	361,306	8,306,006	191,336,412	199,642,418	542,252,575	21,198,086	563,450,661	363,808,243	35.4%
2037	7.00%	500	56,811,221	0	46,825,263	1,923,005	863,624	17,232,583	200,930,955	218,163,538	565,787,183	22,118,116	587,905,299	369,741,761	37.1%
2038	7.00%	500	59,664,337	0	47,688,437	2,006,467	1,555,211	28,757,227	210,890,363	239,647,590	591,712,531	23,131,606	614,844,137	375,196,547	39.0%
2039	7.00%	500	62,606,280	0	49,060,024	2,098,407	2,413,681	42,618,757	221,464,355	264,083,112	619,865,970	24,232,198	644,098,168	380,015,056	41.0%
2040	7.00%	500	65,759,842	0	50,848,647	2,198,248	3,428,266	58,759,970	232,565,242	291,325,212	650,026,566	25,411,256	675,437,822	384,112,610	43.1%
2041	7.00%	500	69,060,230	0	52,969,931	2,305,207	4,595,676	77,140,738	244,202,404	321,343,142	682,067,556	26,663,822	708,731,378	387,388,236	45.3%
2042	7.00%	500	72,511,014	0	55,378,993	2,418,835	5,914,813	97,768,737	256,422,096	354,190,833	715,924,521	27,987,381	743,911,902	389,721,068	47.6%
2043	7.00%	500	76,135,654	0	58,011,038	2,538,903	7,389,312	120,743,762	269,239,830	389,983,592	751,589,546	29,381,621	780,971,167	390,987,575	49.9%
2044	7.00%	500	79,942,574	0	60,838,513	2,665,383	9,027,417	146,209,857	282,699,687	428,909,544	789,105,143	30,848,204	819,953,347	391,043,804	52.3%
2045	7.00%	500	83,938,718	0	63,842,598	2,798,426	10,840,109	174,347,660	296,833,971	471,181,631	828,531,483	32,389,484	860,920,967	389,739,336	54.7%
2046	7.00%	500	88,136,067	0	67,013,831	2,938,244	12,840,776	205,372,428	311,670,878	517,043,306	869,946,458	34,008,505	903,954,963	386,911,657	57.2%
2047	7.00%	500	92,540,211	0	70,358,690	3,085,115	15,044,444	239,513,278	327,261,973	566,775,251	913,443,541	35,708,921	949,152,462	382,377,211	59.7%
2048	7.00%	500	97,169,018	0	73,874,980	3,239,370	17,467,843	277,035,789	343,627,298	620,663,087	959,114,673	37,494,326	996,608,999	375,945,913	62.3%
2049	7.00%	500	102,030,042	0	77,565,865	3,401,335	20,129,705	318,228,336	360,801,030	679,029,366	1,007,067,684	39,368,936	1,046,436,620	367,407,254	64.9%
2050	7.00%	500	107,128,300	0	81,444,639	3,571,392	23,049,913	363,390,518	378,842,470	742,232,988	1,057,421,500	41,337,400	1,098,758,900	356,525,912	67.6%

[1] *Additional contributions in the amount of $598,768,067 are needed over the years 2024 through 2034 to maintain solvency.*

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

Closed Group Projections (No New Contracts)
Projection Based on Data as of June 30, 2013
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2013
7.00% Assumed Net Investment Return
0 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[1]	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2013			47,910,326	0	121,809,339	6,276,555	87,340,676	1,078,094,274	91,775,264	1,169,869,538	1,557,489,483	60,886,378	1,618,375,861	448,506,323	72.3%
2014	7.00%	0	32,359,468	0	160,592,076	5,523,368	70,785,140	1,015,123,438	64,726,638	1,079,850,076	1,500,347,071	59,435,008	1,559,782,079	479,932,002	69.2%
2015	7.00%	0	17,806,367	0	153,977,296	5,716,686	66,092,574	939,328,397	50,838,453	990,166,850	1,446,012,969	57,682,072	1,503,695,041	513,528,191	65.8%
2016	7.00%	0	14,408,080	0	151,103,433	5,916,770	60,761,563	857,477,837	39,493,311	896,971,148	1,390,815,332	55,599,462	1,446,414,794	549,443,646	62.0%
2017	7.00%	0	11,364,385	0	147,403,230	6,123,857	55,047,754	770,362,889	30,502,432	800,865,321	1,335,550,093	53,156,857	1,388,706,950	587,841,629	57.7%
2018	7.00%	0	9,328,310	0	158,998,716	6,338,192	48,465,101	662,819,392	22,988,323	685,807,715	1,264,399,930	50,321,560	1,314,721,490	628,913,775	52.2%
2019	7.00%	0	7,256,113	0	168,132,756	6,560,029	40,537,074	535,919,794	17,091,724	553,011,518	1,178,810,986	47,058,323	1,225,869,309	672,857,791	45.1%
2020	7.00%	0	5,481,313	0	172,840,561	6,789,630	31,419,175	393,190,091	12,618,231	405,808,322	1,082,356,012	43,329,158	1,125,685,170	719,876,848	36.0%
2021	7.00%	0	4,516,782	0	175,359,555	7,027,267	21,297,855	236,617,906	8,829,312	245,447,218	976,540,839	39,093,137	1,015,633,976	770,186,758	24.2%
2022	7.00%	0	3,725,236	0	173,806,833	6,965,044	10,366,621	69,937,886	5,593,950	75,531,836	864,926,405	34,624,959	899,551,364	824,019,528	8.4%
2023	7.00%	0	2,692,973	101,876,007	170,057,135	6,814,781	2,365,049	-1	3,199,893	3,199,892	749,381,673	29,999,442	779,381,115	776,181,223	0.4%
2024	7.00%	0	1,671,252	166,729,323	161,912,190	6,488,384	0	0	1,695,129	1,695,129	634,182,680	25,387,766	659,570,446	657,875,317	0.3%
2025	7.00%	0	945,098	154,994,022	149,930,869	6,008,251	0	0	836,171	836,171	523,326,093	20,949,926	544,276,019	543,439,849	0.2%
2026	7.00%	0	497,015	139,648,513	134,745,795	5,399,733	0	0	380,586	380,586	420,433,280	16,830,894	437,264,174	436,883,588	0.1%
2027	7.00%	0	297,814	120,937,929	116,564,594	4,671,149	0	0	99,166	99,166	329,164,113	13,177,183	342,341,296	342,242,131	0.0%
2028	7.00%	0	102,578	102,544,101	98,691,757	3,954,922	0	0	0	0	250,012,945	10,008,583	260,021,528	260,021,528	0.0%
2029	7.00%	0	0	83,376,441	80,163,991	3,212,450	0	0	0	0	184,506,198	7,386,200	191,892,398	191,892,398	0.0%
2030	7.00%	0	0	64,493,794	62,008,882	2,484,912	0	0	0	0	133,213,106	5,332,822	138,545,928	138,545,928	0.0%
2031	7.00%	0	0	48,437,635	46,571,359	1,866,276	0	0	0	0	94,314,636	3,775,628	98,090,264	98,090,264	0.0%
2032	7.00%	0	0	35,611,185	34,239,105	1,372,080	0	0	0	0	65,462,990	2,620,631	68,083,621	68,083,621	0.0%
2033	7.00%	0	0	25,415,894	24,436,633	979,261	0	0	0	0	44,741,924	1,791,120	46,533,044	46,533,044	0.0%
2034	7.00%	0	0	17,919,548	17,229,117	690,431	0	0	0	0	30,033,572	1,202,312	31,235,884	31,235,884	0.0%
2035	7.00%	0	0	12,472,766	11,992,197	480,569	0	0	0	0	19,718,325	789,369	20,507,694	20,507,694	0.0%
2036	7.00%	0	0	8,428,537	8,103,790	324,747	0	0	0	0	12,707,352	508,704	13,216,056	13,216,056	0.0%
2037	7.00%	0	0	5,609,495	5,393,364	216,131	0	0	0	0	8,012,184	320,746	8,332,930	8,332,930	0.0%
2038	7.00%	0	0	3,691,765	3,549,523	142,242	0	0	0	0	4,897,601	196,062	5,093,663	5,093,663	0.0%
2039	7.00%	0	0	2,355,546	2,264,788	90,758	0	0	0	0	2,895,306	115,906	3,011,212	3,011,212	0.0%
2040	7.00%	0	0	1,455,437	1,399,360	56,077	0	0	0	0	1,648,979	66,012	1,714,991	1,714,991	0.0%
2041	7.00%	0	0	862,452	829,222	33,230	0	0	0	0	905,770	36,260	942,030	942,030	0.0%
2042	7.00%	0	0	499,160	479,928	19,232	0	0	0	0	472,221	18,904	491,125	491,125	0.0%
2043	7.00%	0	0	274,038	263,479	10,559	0	0	0	0	232,451	9,306	241,757	241,757	0.0%
2044	7.00%	0	0	143,544	138,013	5,531	0	0	0	0	105,814	4,236	110,050	110,050	0.0%
2045	7.00%	0	0	69,409	66,735	2,674	0	0	0	0	44,119	1,766	45,885	45,885	0.0%
2046	7.00%	0	0	30,145	28,984	1,161	0	0	0	0	17,195	688	17,883	17,883	0.0%
2047	7.00%	0	0	12,264	11,791	473	0	0	0	0	6,189	248	6,437	6,437	0.0%
2048	7.00%	0	0	4,764	4,580	184	0	0	0	0	1,880	75	1,955	1,955	0.0%
2049	7.00%	0	0	1,640	1,577	63	0	0	0	0	379	15	394	394	0.0%
2050	7.00%	0	0	407	391	16	0	0	0	0	0	0	0	0	0.0%

[1] *Additional contributions in the amount of $1,097,895,761 are needed over the years 2023 through 2050 to maintain solvency.*

Exhibit VIII
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 the 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 VIII
Sensitivity Testing Results (Continued)

$ in Millions

		Current Valuation Assumptions	Assumed Tuition Increases +100 Basis Points	Assumed Tuition Increases -100 Basis Points	Assumed Fee Increases +100 Basis Points	Assumed Fee Increases -100 Basis Points	Assumed Investment Return +50 Basis Points	Assumed Investment Return -50 Basis Points
1	Assets							
	a. Market Value of Assets (in Trust)	$1,078.1	$1,078.1	$1,078.1	$1,078.1	$1,078.1	$1,078.1	$1,078.1
	b. PV Future Member Contributions	91.8	91.8	91.8	91.8	91.8	90.7	93.0
	c. Unrecognized Gains and (Losses)	13.9	13.9	13.9	13.9	13.9	13.9	13.9
	d. Total Actuarial Value of Assets (AVA) (2a + 2b - 2c)	$1,156.0	$1,156.0	$1,156.0	$1,156.0	$1,156.0	$1,154.9	$1,157.2
2	Actuarial Results							
	Liabilities							
	a. Not yet Matriculating - Tuition and Fees	$1,334.9	$1,395.9	$1,278.7	$1,356.9	$1,314.8	$1,288.7	$1,383.7
	b. Matriculating - Tuition and Fees	222.5	222.7	222.4	222.9	222.2	221.3	223.8
	c. Present Value of Future Administrative Expenses	60.9	60.9	60.9	60.9	60.9	57.2	65.0
	d. Total	$1,618.3	$1,679.5	$1,562.0	$1,640.7	$1,597.9	$1,567.2	$1,672.5
	Unfunded Liability (Based on AVA)	$462.3	$523.5	$406.0	$484.7	$441.9	$412.3	$515.3
	Funded Ratio							
	Market Value of Assets	72.3%	69.7%	74.9%	71.3%	73.2%	74.6%	70.0%
	Actuarial Value of Assets	71.4%	68.8%	74.0%	70.5%	72.3%	73.7%	69.2%
	Difference From Current Assumptions							
	Unfunded Liability (Based on AVA)	$0.0	$61.2	-$56.3	$22.4	-$20.4	-$50.0	$53.0
	Funded Ratio (Based on AVA)	0.0%	-2.6%	2.6%	-0.9%	0.9%	2.3%	-2.2%

SECTION C

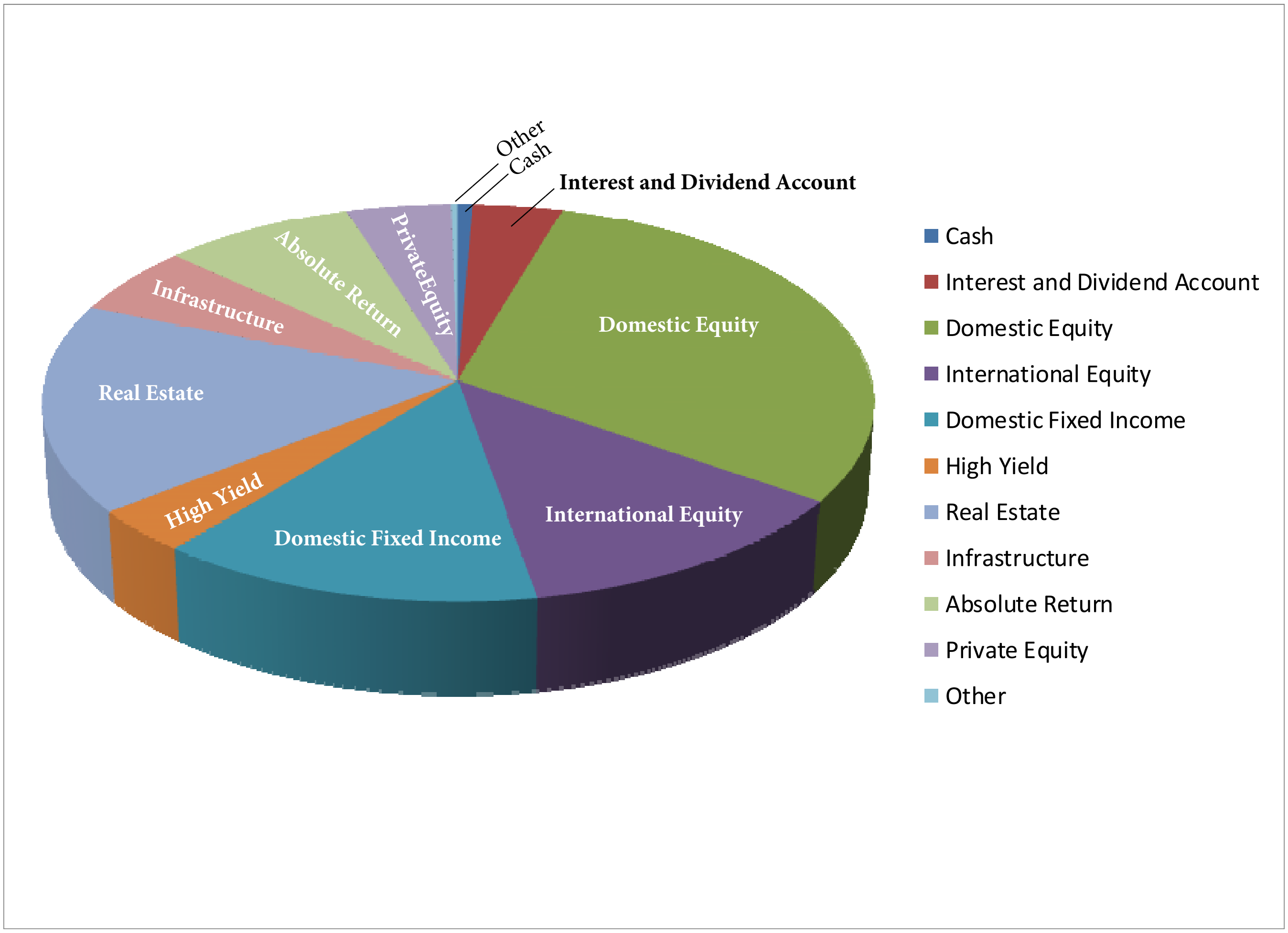
FUND ASSETS

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

College Illinois!® Prepaid Tuition Program
Statement of Plan Net Assets
Year ended June 30, 2013

Cash	$	6,998,358
Interest and Dividend Account	$	41,951,361
Investments		
Domestic Equity	$	325,385,666
International Equity		134,857,989
Domestic Fixed Income		145,937,623
High Yield		39,060,299
Real Estate		181,561,269
Infrastructure		60,707,102
Absolute Return		89,684,485
Private Equity		48,946,149
Total Investments	$	1,026,140,582
Other		3,003,973
Total Assets	$	1,078,094,274

ALLOCATION OF ASSETS AT JUNE 30, 2013



RECONCILIATION OF PLAN ASSETS

College Illinois!® Prepaid Tuition Program
Statement of Changes in Plan Net Assets
Twelve Month Period ended June 30, 2013

Beginning of Period		7/1/2012
End of Period		6/30/2013
Additions:		
Contributions received	$	47,910,326
Gross investment income		24,334,059
Realized/Unrealized investment gains/(losses)		67,251,553
Total Additions	$	139,495,938
Deductions:		
Tuition payments	$	103,581,466
Refunds to Purchasers		18,227,873
Investment expenses & advisory fees		4,244,936
Administrative expenses		6,276,555
Total Deductions	$	132,330,830
Net increase	$	7,165,108
Market Value of Assets:		
Beginning of period	$	1,070,929,166
End of period (6/30/2013)	$	1,078,094,274
Present Value of Future Contributions by Current Contract Holders		91,775,264
Value of Total Fund Assets	$	1,169,869,538

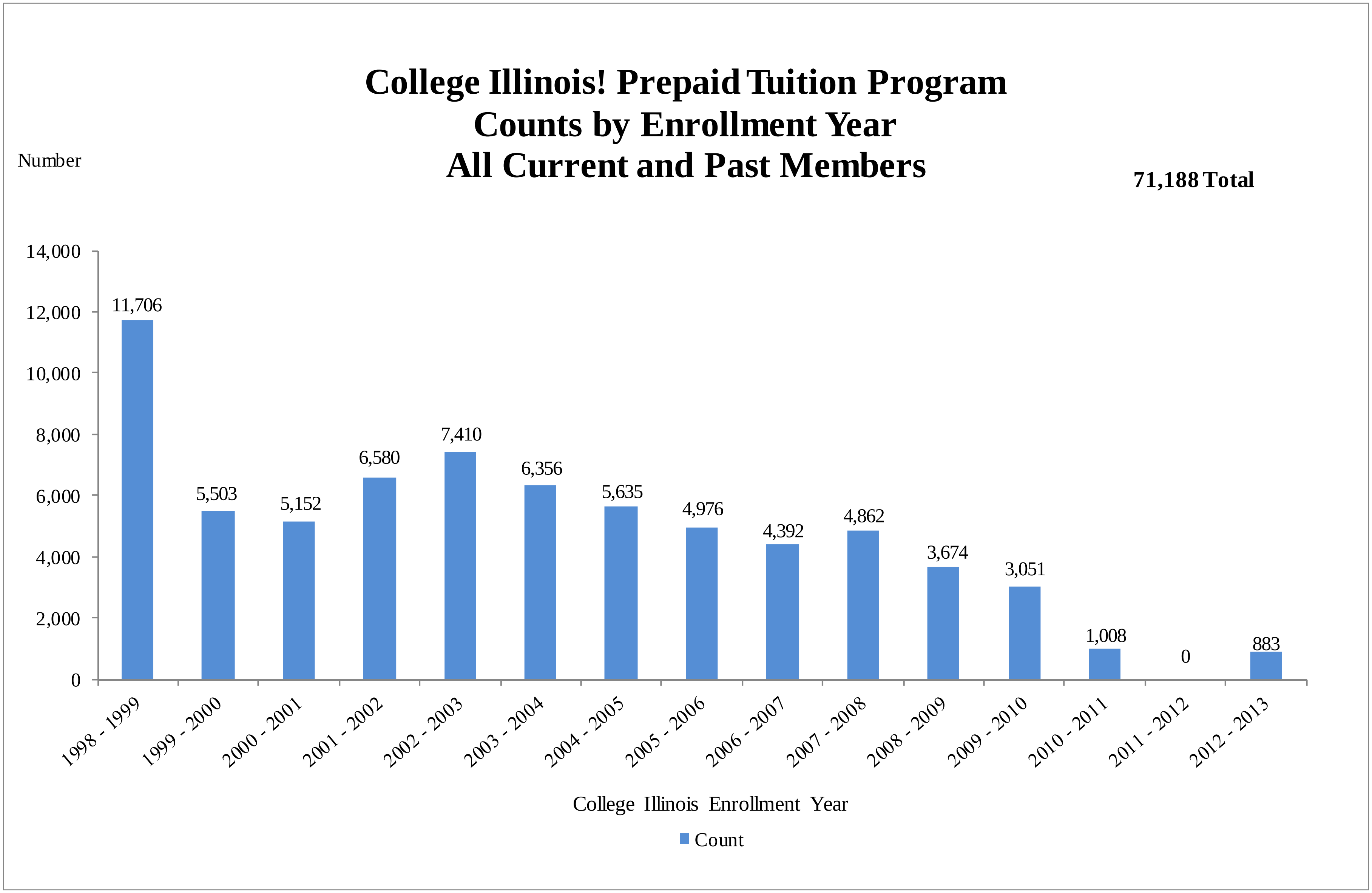
DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

Year Ending June 30	2013	2014	2015	2016	2017
Beginning of Year:					
(1) Market Value of Assets	$ 1,070,929,809				
(2) Adjustment to the Market Value of Assets	(643)				
(3) Revised Market Value of Assets	1,070,929,166				
(4) Actuarial Value of Assets	1,106,794,317				
End of Year:					
(5) Market Value of Assets	1,078,094,274				
(6) Contributions and Disbursements					
(6a) Actual Contributions	47,910,326				
(6b) Tuition Payments and Refunds	(121,809,339)				
(6c) Administrative Expenses	(6,276,555)				
(6d) Net of Contributions and Disbursements	(80,175,568)				
(7) Total Investment Income					
=(5)-(3)-(6d)	87,340,676				
(8) Projected Rate of Return	7.25%				
(9) Projected Investment Income					
=(3)x([1+(8)]^1.00-1)+([1+(8)]^.50-1)x(6d)	74,786,851				
(10) Investment Income in					
Excess of Projected Income	12,553,825				
(11) Excess Investment Income Recognized					
This Year (5-year recognition)					
(11a) From This Year	2,510,765				
(11b) From One Year Ago	(10,188,238)	$ 2,510,765			
(11c) From Two Years Ago	16,562,252	(10,188,238)	$ 2,510,765		
(11d) From Three Years Ago	1,300,844	16,562,252	(10,188,238)	$ 2,510,765	
(11e) From Four Years Ago	(47,400,000)	1,300,844	16,562,251	(10,188,239)	$ 2,510,765
(11f) Total Recognized Investment Gain	(37,214,377)	10,185,623	8,884,778	(7,677,474)	2,510,765
(12) Change in Actuarial Value of Assets					
=(2)+(6d)+(9)+(11f)	(42,603,737)				
End of Year:					
(5) Market Value of Assets	**1,078,094,274**				
(13) Actuarial Value of Assets					
=(4)+(12)	**1,064,190,580**				
(14) Present Value of Future Expected Contributions	91,775,264				
(15) Final Actuarial Value of Assets = (13) + (14)	**1,155,965,844**				

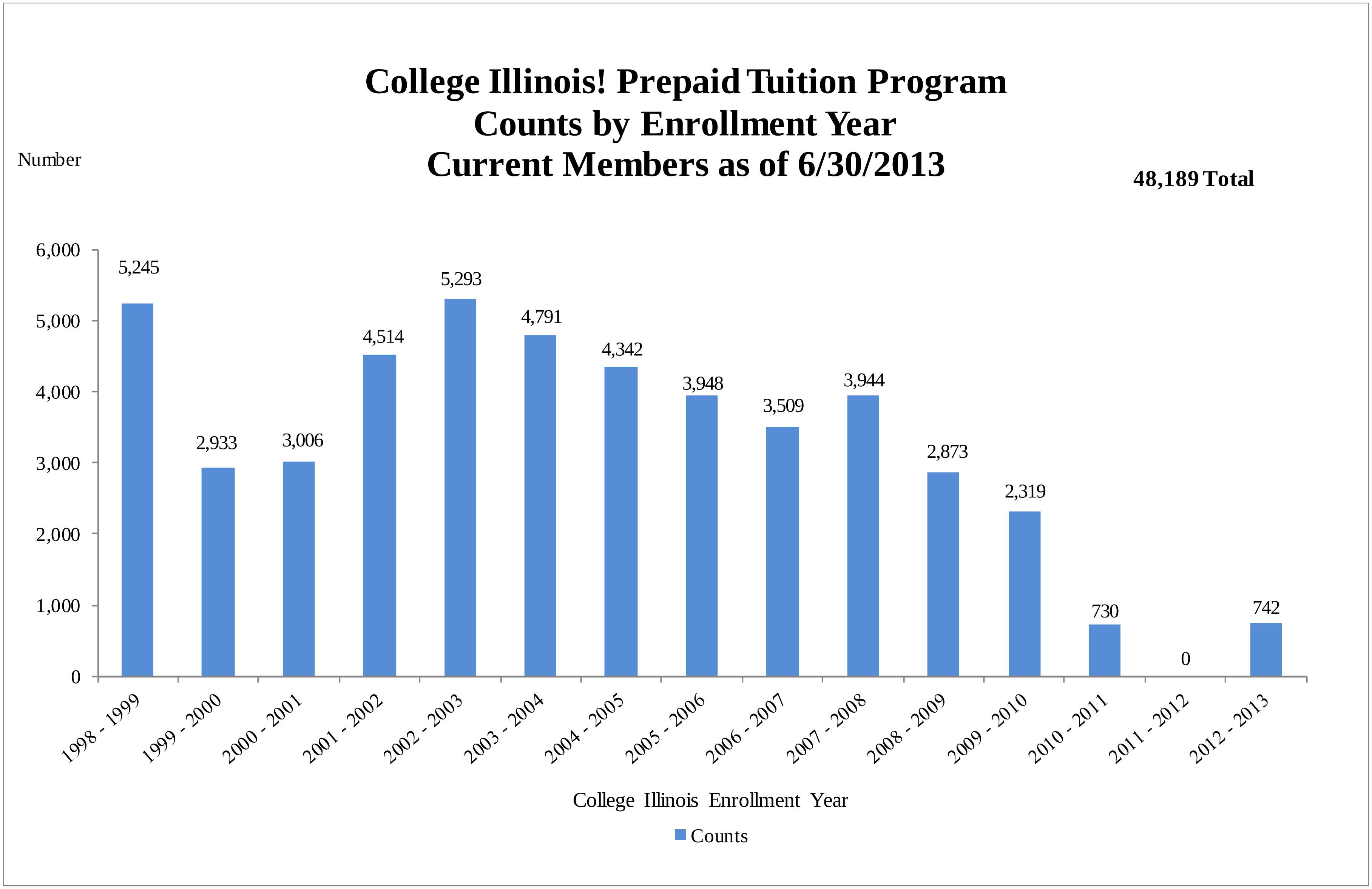
The Actuarial Value of Assets recognizes assumed investment return (line 9) fully each year. Differences between actual and assumed investment income (Line 10) are phased-in over a closed 5-year period. During periods when investment performance exceeds the assumed rate, Actuarial Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Actuarial Value of Assets will tend to be greater than Market Value. If assumed rates are exactly realized for 4 consecutive years, Actuarial Value of Assets will become equal to Market Value.

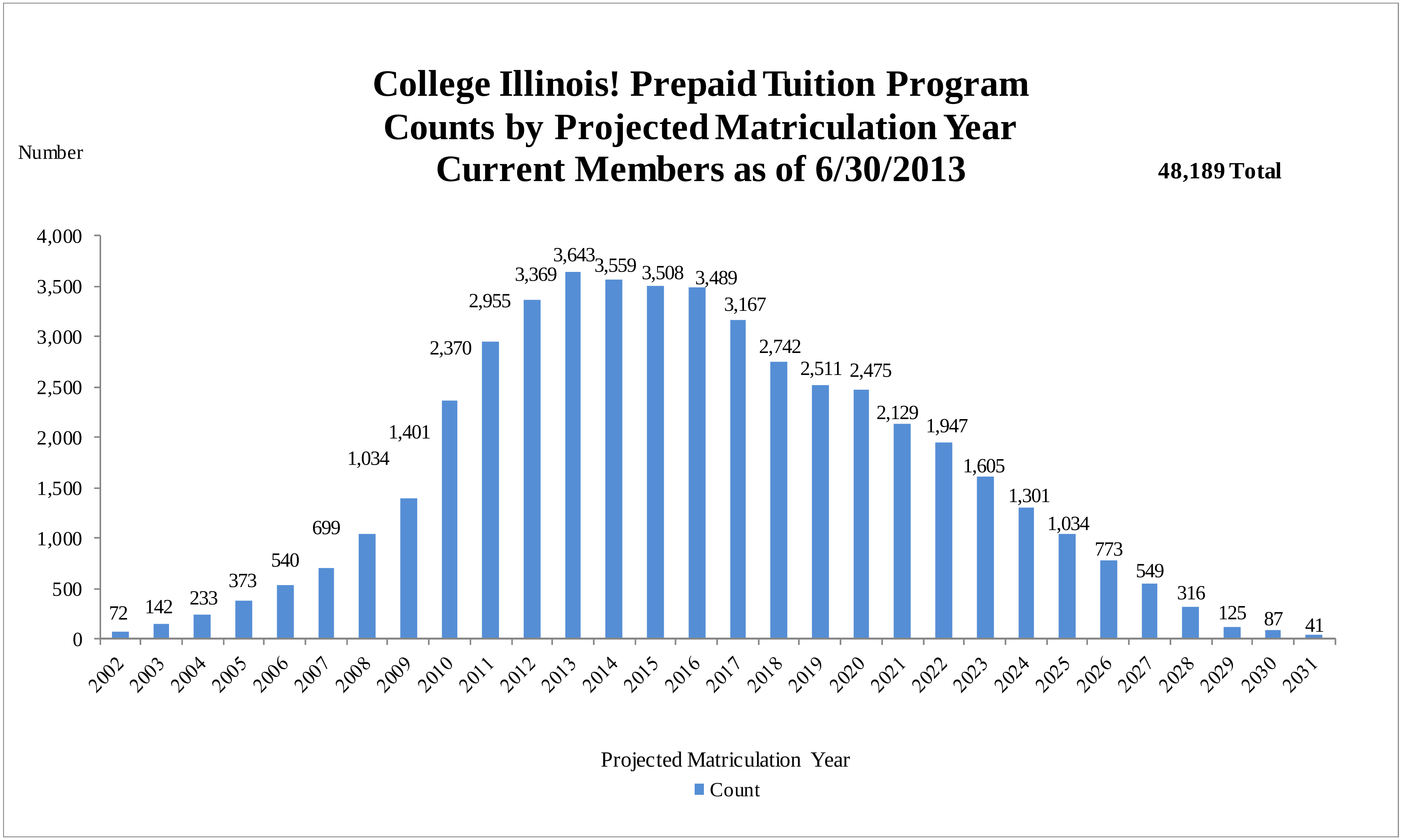
SECTION D

PARTICIPANT DATA

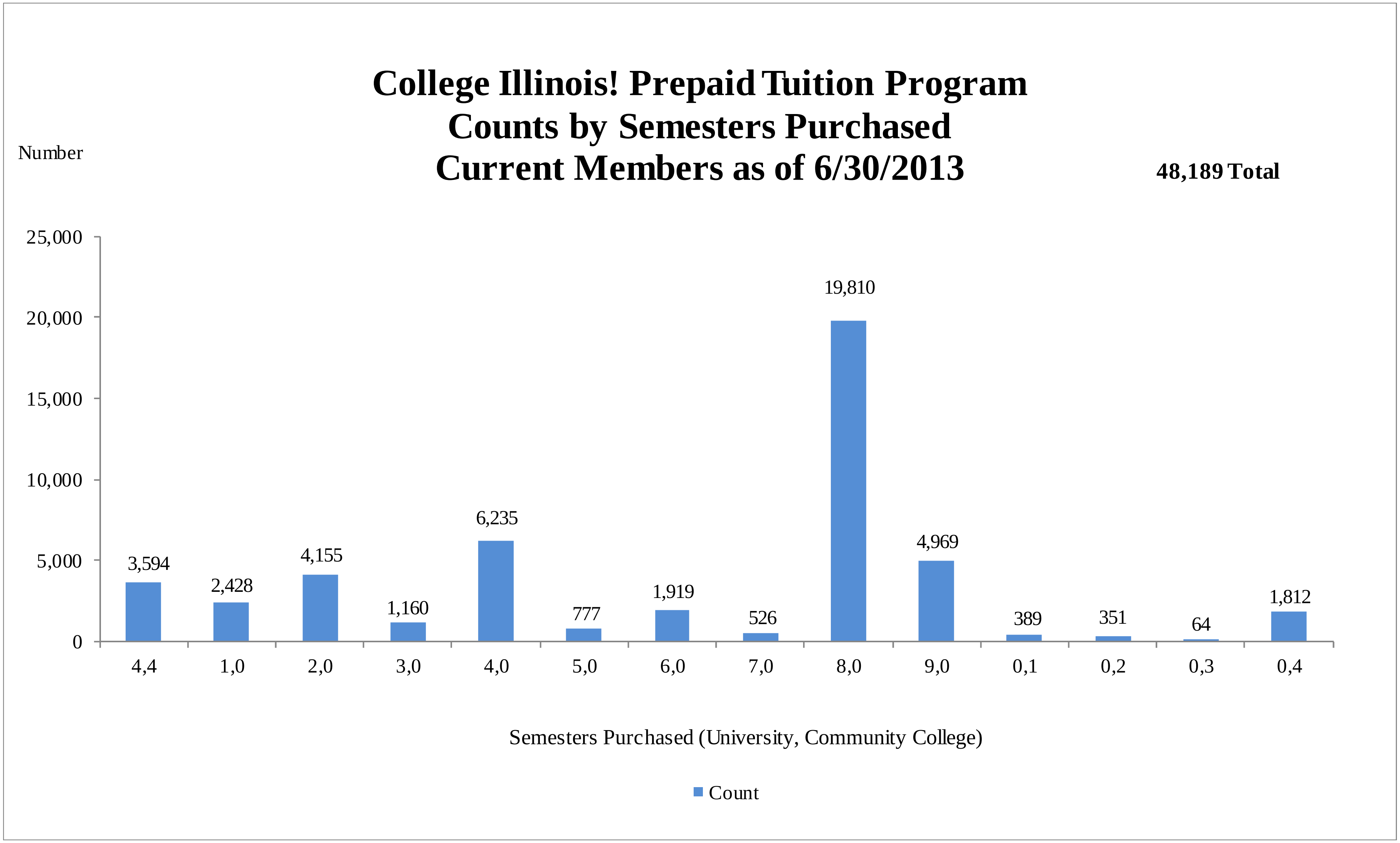

College Illinois! Prepaid Tuition Program
Counts by Enrollment Year
All Current and Past Members
Number
71,188 Total
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
11,706
5,503
5,152
6,580
7,410
6,356
5,635
4,976
4,392
4,862
3,674
3,051
1,008
0
883
1998 - 1999
1999 - 2000
2000 - 2001
2001 - 2002
2002 - 2003
2003 - 2004
2004 - 2005
2005 - 2006
2006 - 2007
2007 - 2008
2008 - 2009
2009 - 2010
2010 - 2011
2011 - 2012
2012 - 2013
College Illinois Enrollment Year
Count

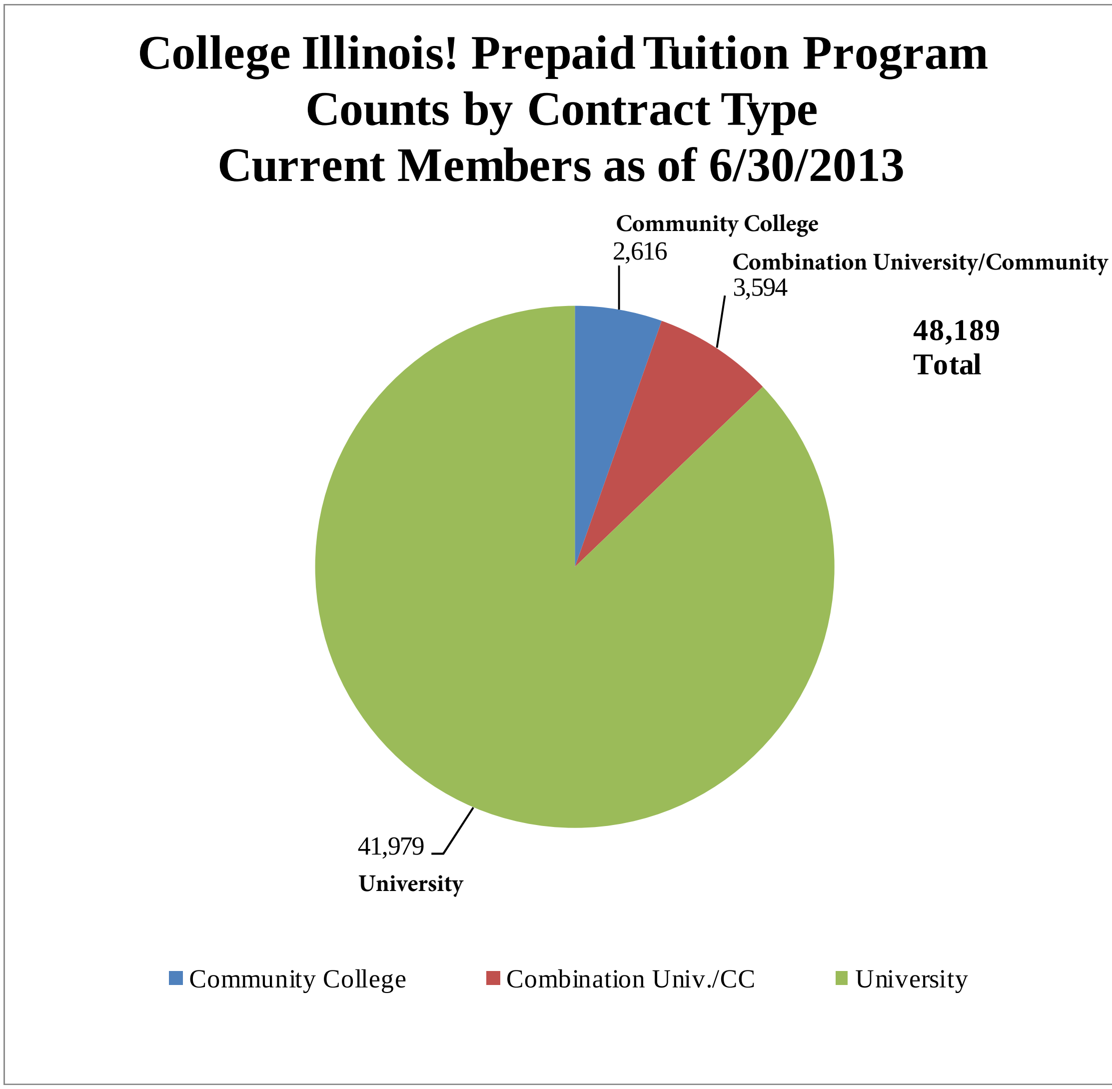
60

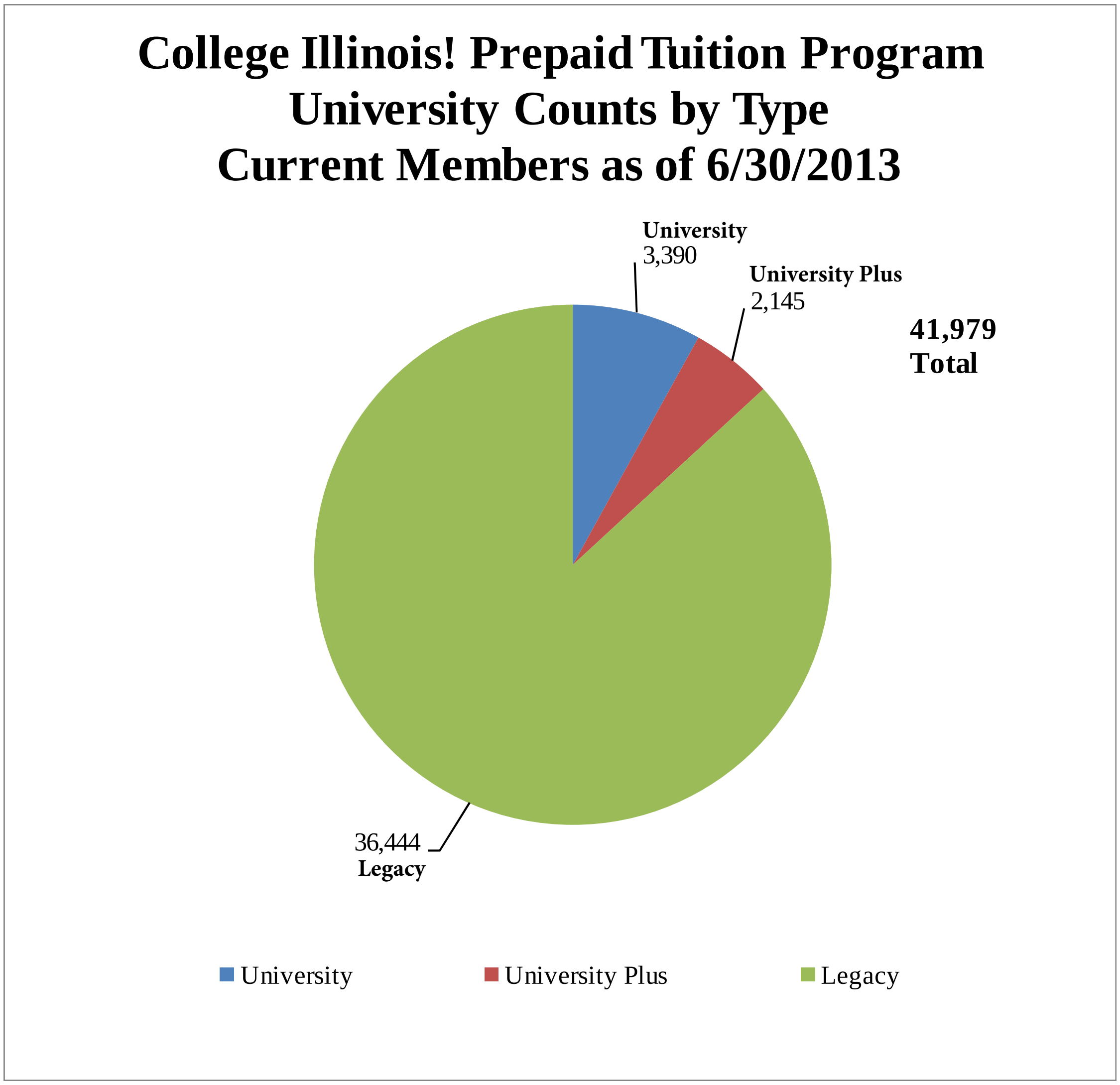

College Illinois! Prepaid Tuition Program
Counts by Enrollment Year
Current Members as of 6/30/2013
Number
48,189 Total
6,000
5,000
4,000
3,000
2,000
1,000
0
5,245
2,933
3,006
4,514
5,293
4,791
4,342
3,948
3,509
3,944
2,873
2,319
730
0
742
1998 - 1999
1999 - 2000
2000 - 2001
2001 - 2002
2002 - 2003
2003 - 2004
2004 - 2005
2005 - 2006
2006 - 2007
2007 - 2008
2008 - 2009
2009 - 2010
2010 - 2011
2011 - 2012
2012 - 2013
College Illinois Enrollment Year
Counts


College Illinois! Prepaid Tuition Program
Counts by Projected Matriculation Year
Current Members as of 6/30/2013
48,189 Total
Number
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
72
142
233
373
540
699
1,034
1,401
2,370
2,955
3,369
3,643
3,559
3,508
3,489
3,167
2,742
2,511
2,475
2,129
1,947
1,605
1,301
1,034
773
549
316
125
87
41
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
Projected Matriculation Year
Count

63


College Illinois! Prepaid Tuition Program
Counts by Semesters Purchased
Current Members as of 6/30/2013
48,189 Total
Number
25,000
20,000
15,000
10,000
5,000
0
3,594
2,428
4,155
1,160
6,235
777
1,919
526
19,810
4,969
389
351
64
1,812
4,4
1,0
2,0
3,0
4,0
5,0
6,0
7,0
8,0
9,0
0,1
0,2
0,3
0,4
Semesters Purchased (University, Community College)
Count


College Illinois! Prepaid Tuition Program
Counts by Contract Type
Current Members as of 6/30/2013
Community College
2,616
Combination University/Community College
3,594
48,189
Total
41,979
University
Community College
Combination Univ./CC
University


College Illinois! Prepaid Tuition Program
University Counts by Type
Current Members as of 6/30/2013
University
3,390
University Plus
2,145
41,979
Total
36,444
Legacy
University
University Plus
Legacy

SECTION E

METHODS & ASSUMPTIONS

VALUATION METHODS

Actuarial Value of Assets – The Actuarial Value of Assets recognizes assumed investment income fully each year. Differences between actual and assumed investment return are phased in over a closed 5-year period. During periods when investment performance exceeds the assumed rate, Actuarial Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Actuarial Value of Assets will tend to be greater than Market Value.

VALUATION ASSUMPTIONS

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

Measurement Date June 30, 2013

The net investment return rate 7.00 percent per annum, compounded annually

Weighted Average Tuition and Fees (WATF) and Increases by Contract Type

	Contract Type			
	Legacy	University	University Plus	Community College
2013-2014 Weighted Tuition	$ 10,557	$ 9,633	$ 13,841	$ 3,186
2013-2014 Weighted Fees	$ 3,297	$ 3,262	$ 3,424	$ 440
2013-2014 Total WATF	$ 13,854	$ 12,895	$ 17,265	$ 3,626

The total WATF is based on the Freshman Blended Tuition rate.

"Legacy" contracts refer to contracts sold prior to 2010. These contracts can be used for full tuition and fees at any 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. The "University Plus" contract has separate assumptions due to the belief that UIUC has more pricing power than other Illinois public universities.

	Contract Type			
	Legacy	University	University Plus	Community College
2013-2014 Total WATF	$ 13,854	$ 12,895	$ 17,265	$ 3,626
2012-2013 Total WATF	$ 13,535	$ 12,514	$ 17,013	$ 3,527
WATF Increase	2.36%	3.04%	1.48%	2.81%

Tuition and Fee Increase Assumption - June 30, 2013, Actuarial Valuation				
Effective Date	Legacy	University	University Plus	Community College
6/30/2014 through 6/30/2017	7.25%	7.00%	7.50%	6.50%
6/30/2018 through 6/30/2022	6.75%	6.50%	7.25%	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. It was assumed that if the beneficiary has enrolled in school prior to the fall of 2004, they would not be covered under the Truth in Tuition law. Furthermore, 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 of an incoming freshman. 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. The present value of future administrative expenses was determined to be equal to approximately 3.9 percent of the present value of future benefits.

Bias Load

"Legacy" contract beneficiaries were assumed on average to attend more expensive schools than indicated by the headcount information that was used to determine the 2013-2014 WATF. A load of 4.6 percent was added to the tuition assumption to recognize this bias toward enrollment at more expensive schools. No bias load was applied to the "University" and "University Plus" beneficiaries due to the separation of UIUC which historically has been the significant driver behind the need for the bias load.

Future Contract Sales

We assumed different numbers of future contract sales per year solely for the purpose of illustrating the future solvency of the program under a continuing business model. The specific numbers of alternative future contract sales per year were provided to us by ISAC.

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 2012 new beneficiaries.

The rates of enrollment

These rates are used to measure the probability of eligible members matriculating during the next year.

Matriculating Probability Rates for Qualified Beneficiaries											
Actual Matriculation	Years Past Expected Matriculation										
(Expected Mat Yr Plus Below)	0	1	2	3	4	5	6	7	8	9	10+
0	69.5%										
1	11.5%	37.7%									
2	8.0%	26.2%	42.1%								
3	3.8%	12.3%	19.7%	34.1%							
4	1.8%	5.7%	9.2%	15.9%	24.1%						
5	1.1%	3.6%	5.8%	10.0%	15.2%	20.0%					
6	1.0%	3.3%	5.3%	9.1%	13.8%	18.2%	22.7%				
7	0.9%	2.8%	4.5%	7.7%	11.7%	15.5%	19.3%	25.0%			
8	0.9%	2.8%	4.5%	7.7%	11.7%	15.5%	19.3%	25.0%	33.3%		
9	0.9%	2.8%	4.5%	7.7%	11.7%	15.5%	19.3%	25.0%	33.3%	50.0%	
10	0.9%	2.8%	4.5%	7.7%	11.7%	15.5%	19.3%	25.0%	33.3%	50.0%	100.0%

Rates of separation from active membership

It was assumed that 12.5 percent of contracts sold will not be utilized. This assumption was based on the historical experience of the Program. 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	Number of Semesters Purchased				
Since Matriculation	1-2	3-4	5-6	7-8	9
1	80%	45%	33%	24%	20%
2	15%	30%	25%	24%	19%
3	5%	15%	18%	20%	17%
4		5%	12%	18%	15%
5		5%	7%	7%	13%
6			3%	3%	7%
7			2%	2%	5%
8				1%	3%
9				1%	1%

Once a member has matriculated, it is assumed that beneficiaries will utilize 30 credits per year until benefits are fully depleted.

SECTION F

PLAN PROVISIONS

PLAN PROVISIONS

A. Type of Contract

Two types of contract are available for purchase: public university or community college.

In the event that a public university contract is converted for usage at a community college, then the amount refunded shall be on a semester-by-semester basis. The refund should be the current value of the original contract minus the current value of the contract after conversion.

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

Optional forms of benefit payment are available as follows:

- Lump Sum
- Monthly installments with terms of 60 months/ 120 months/ 180 months
- Annual installments with terms of 5 years/ 10 years/ 15 years
- Down payment options are available for 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.

Alternatively benefits can be transferred to a member of the family or a purchaser can choose to receive a refund payment equal to all contributions, plus two percent interest, less applicable cancellation fees.

E. Scholarship

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

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

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

F. Not Attending an Institution of Higher Education

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

Purchasers can also choose to postpone the beneficiary's use of contract benefits to a later time or receive a refund payment equal to all contributions, plus two percent interest, less applicable cancellation fees.

G. Death/Disability of Qualified Beneficiary

Refunds equal to amount paid with all accrued earnings will be made to purchaser.

H. Changes from Previous Valuation

None.

I. Other Ancillary Benefits

There are no ancillary benefits.

McGladrey

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

Ms. Kym Hubbard
Honorable Chair of the Governing Board
Illinois Student Assistance Commission

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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, 2013, and the related notes to the financial statements, and have issued our report thereon dated January 9, 2014. That report contains an emphasis of matters paragraph which states "as discussed in Note 9, the Illinois Prepaid Tuition Program has a deficit as of June 30, 2013 of $389 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.

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.

McGladrey LLP

Schaumburg, Illinois
January 9, 2014

Prior Finding Not Repeated

(Note: This prior finding not repeated is also reported in the Department-wide audit of the Illinois Student Assistance Commission.)

A Budget Not Properly Approved

The Illinois Student Assistance Commission (Commission) did not approve the fiscal year 2012 budget relating to the Commission's non-appropriated funds and did not deliberate and vote on budget requests submitted to the General Assembly for appropriations relating to the appropriated funds of the Commission. (Finding Code No. 12-1)

The Commission implemented corrective action. The fiscal year 2013 budget for the agency, including the budgets for the Illinois Prepaid Tuition Program and the Illinois Designated Account Purchase Program, were approved by the Commission at its meeting on June 25, 2012. The budget request to be submitted to the General Assembly for appropriation for fiscal year 2014 was presented to the Board of Commissioners for their approval.