

January 13, 2020

Honorable Governor J.B. Pritzker
207 State Capitol
Springfield, IL 62706

Dear Governor Pritzker:

In accordance with the reporting requirement of the Illinois Prepaid Tuition Act (110 ILCS 979/1 et seq.), I am sending you this letter as a certification that the College Illinois!® 529 Prepaid Tuition Program will not require any state financial support during Fiscal Year 2021 to fulfill FY 2021 obligations. During FY 2021, we estimate that approximately \$140 million will be paid out for prepaid tuition contract benefits, refunds, and expenses, netted for expected contributions. During January through June 2020, we anticipate net payouts of approximately \$64 million. The Commission is expected to approve the FY 2021 administrative budget for the College Illinois! 529 Prepaid Tuition Program in June 2020; staff expects the request to include approximately \$8.3 million of program funds for operational expenses.

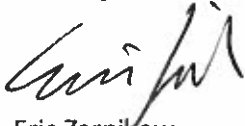
Although state financial support will not be required next year in order to fulfill the Program's obligations, actuarial projections indicate that state support will be required in the future to fulfill the state's moral obligation to the Program. The actuarial soundness valuation as of June 30, 2019, performed by independent actuaries, indicates that there is an unfunded liability with a present value of approximately \$317 million. Actuarial projections for a runoff scenario with no future contract sales indicate that the Program would require cumulative state funding of over \$480 million beginning in FY 2026, with single-year funding requirements peaking above \$88 million in FY 2027. If the state opted to amortize the unfunded liability beginning in FY 2021 and assuming no new contract sales, annual payments of approximately \$30 million would be required for about 14 years. Actuarial reports are available at <http://www.collegeillinois.org/AboutCollegeIllinois/529Financials.html>.

Program enrollment has been closed since the 2017-18 enrollment year and remains closed pending our ongoing collaboration with policymakers to help define proposals that will address the College Illinois! unfunded liability. **As we have noted during these discussions with policymakers, we believe it would be appropriate and beneficial to the state and plan holders to begin to address the unfunded liability now before it becomes immediately necessary to call upon the moral obligation of the State of Illinois.**

Actuarial reports necessarily represent a point in time and make projections about the future based on information available as of the date of the report. Going forward, many circumstances such as investment performance, tuition and fee inflation, and contract purchases can significantly change future actuarial results, either in a positive or negative way. It is to be expected that for any given fiscal year, actual plan performance will vary from assumptions and that the funded status of the plan will fluctuate.

Please contact me at 847-831-8379 if you have any questions or concerns regarding this certification letter.

Best regards,

A handwritten signature in black ink, appearing to read "Eric Zarnikow". The signature is fluid and cursive, with a prominent initial "E".

Eric Zarnikow
Executive Director

cc: Jesse Ruiz, Deputy Governor, Office of the Governor
Alexis Sturm, Director, Office of Management and Budget