January 25, 2021

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 FY2022 to fulfill FY2022 obligations. During FY2022, we estimate that approximately $135 million will be paid out for prepaid tuition contract benefits, refunds, and expenses, netted for expected contributions. During January through June 2021, we anticipate net payouts of approximately $62 million. The Commission is expected to approve the FY2022 administrative budget for the College Illinois! 529 Prepaid Tuition Program in June 2021; staff expects the request to include approximately $6.7 million of program funds for operational expenses.  

Although state financial support will not be required in FY2022 in order to fulfill the Program’s FY2022 obligations, actuarial projections indicate that state support will be required in the near future to fulfill the state’s moral obligation to the Program. Indeed, the year when state support is projected to be required has moved from FY2026 to FY2025. The actuarial soundness valuation as of June 30, 2020, performed by independent actuaries, indicates that there is an unfunded liability with a present value of approximately $340 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 FY2025, with single-year funding requirements peaking above $92 million in FY2026. If the state opted to amortize the unfunded liability beginning in FY2022 and assuming no new contract sales, annual payments of approximately $36 million would be required for about 12 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 as ISAC has engaged with legislators and the Governor’s office to help define proposals to address the Program’s unfunded liability. ISAC has continued to advocate annual state payments to the Illinois Prepaid Tuition Trust Fund to begin to address the unfunded liability now before it becomes immediately necessary to call upon the moral obligation of the State of Illinois. By starting immediately to make level payments that would continue for more than a decade, the proposal would honor the state’s commitments to plan holders and save it money in the long run, allowing the state to budget intelligently, with predictable, manageable payments.

The agency and the Commission are grateful for the resolve that you demonstrated by proposing for FY2021 that the state begin addressing the College Illinois! unfunded liability with level payments. We agree that, as you noted then, “It’s time to make good on the existing contracts families signed up for and reassure them that their children’s college tuition will be paid.” We understand that FY2021 budget constraints did not make it possible to keep that funding in the final budget, but we hope that the proposed funding will be included in your FY2022 budget proposal.

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 and tuition and fee inflation 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,

Eric Zarnikow
Executive Director

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