COLLEGE ILLINOIS!®
529 Prepaid Tuition Program

STATEMENT OF INVESTMENT POLICY

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See section IX for complete version history.

TABLE OF CONTENTS

I. BACKGROUND AND PURPOSE

The College Illinois!® 529 Prepaid Tuition Trust Fund (the "Fund") is subject to the provisions of the Illinois Prepaid Tuition Act, 110 ILCS 979/1 et seq. (the "Act"), as amended from time to time. The "Investment Policy" or "Policy" represents the comprehensive investment plan as referred to in the Act. The Policy identifies a set of investment objectives, guidelines, and performance standards for the investment of the assets of the Fund. The Policy represents the formal document governing the investment of Fund assets. This document will be used as the basis for future investment performance measurement and evaluation.

II. INVESTMENT OBJECTIVES

Investments will be made in the sole interest of the participants and beneficiaries of the Fund and in accordance with the following objectives:

1. To ensure the assets of the Fund are invested with the care, skill, prudence and diligence that a prudent person acting in a like capacity would undertake.
2. To ensure the assets of the Fund are invested in a manner that minimizes and controls the costs incurred in administering and managing the assets.
3. To meet or exceed the return of the Policy Benchmark consistent with the actuarial soundness of the Fund and the risk level expected from the asset allocation.

The investment guidelines and target asset allocation incorporate consideration that the Program is underfunded and facing gradual depletion. Expected risk and return are prudently balanced and interim fluctuations should be viewed with appropriate perspective.

III. ROLES AND RESPONSIBILITIES

A person is a "fiduciary" with respect to the Fund to the extent that the person:

1. exercises any discretionary authority or discretionary control respecting management of the Fund, or exercises any authority or control respecting management or disposition of its assets;
2. renders investment advice or renders advice on the selection of fiduciaries for a fee or other compensation, direct or indirect, with respect to any moneys or other property of the Fund or has any authority or responsibility to do so; or
3. has any discretionary authority or discretionary responsibility in the administration of the Fund.

All fiduciaries to the Fund shall conduct their responsibilities with the care, skill, prudence, and diligence under the circumstances then prevailing which a prudent person familiar with these matters and acting in a like capacity would use in the conduct of an activity of like character and purpose. Fiduciaries, their employees, agents, and designees shall discharge their duties with respect to the Fund solely in the interest of the participants and beneficiaries of the Fund.

A. THE ILLINOIS STUDENT ASSISTANCE COMMISSION

In this Investment Policy, the Commission refers to the governing fiduciaries appointed as commissioners to the Illinois Student Assistance Commission by the Governor with the advice and consent of the Senate in accordance with section 15 of the Higher Education Student Assistance Act (110 ILCS 947/15). (In this document, the agency organization will be referred to as ISAC or the Agency.) The Commission has ultimate responsibility for the success and safety of the investment program. In accordance with the Prepaid Tuition Act, the Commission may not delegate its management functions, but 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. Specific responsibilities of the Commission include, but are not limited to, the following.

1. Adopting a sound investment policy. The Policy may be modified from time to time by action of the Commission and shall be adopted annually by the Commission in accordance with the Act.
2. Adopting a sound asset allocation. The asset allocation shall be reviewed annually for reasonableness and a formal asset allocation study will be conducted at least every three years.
3. Approving any changes to the investment manager structure.
4. Approving the selection and termination of any investment service provider.
5. Monitoring and evaluating the investment performance of the Fund and ensuring the risk profile is consistent with Policy objectives.
6. Establishing the primary duties and responsibilities of those accountable for achieving and reviewing investment results.
7. Adopting and reviewing, at least annually, the diversity policies required by section 30(b-5) of the Prepaid Tuition Act (110 ILCS 979/30(b-5):
    a. A policy that sets forth goals for increasing the racial, ethnic, and gender diversity of its fiduciaries, including its consultants and senior staff in conformance with section 1-109.1(5) of the Illinois Pension Code (40 ILCS 5/1-109.1(5)).
    b. A policy that sets forth goals for increasing the utilization of minority investment managers in conformance with section 1-109.1(9) of the Illinois Pension Code (40 ILCS 5/1-109.1(9)).
    c. As used in this Investment Policy, “minority” refers to a "minority owned business", "female owned business", or "business owned by a person with a disability", as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act (30 ILCS 575).

B. INVESTMENT COMMITTEE

The Investment Committee (or “Committee”) refers to a committee consisting of at least three (3) 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 Chair of the Commission may appoint members to the Investment Committee on an interim basis (subject to ratification at the next regularly scheduled Commission meeting) if necessary to ensure the prudent oversight of the Fund.

The Investment Committee will normally meet quarterly, but at least twice annually, 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 considering investment initiatives for potential recommendation to the full Commission. Specific responsibilities of the Committee include, but are not limited to, the following.

1. Investment policy recommendations including:
   a. Asset allocation, which establishes and communicates return expectations and risk tolerance;
   b. Investment manager structure, which establishes and communicates recommendations regarding the number and types of investment managers that are appropriate for the Fund; and
   c. Investment manager guidelines, which establishes and communicates risk parameters consistent with the overall risk level set for the Fund.
2. Recommending a bank as Custodian and an Investment Consultant to assist the Commission and the Investment Staff in developing and implementing policy and managing the Fund investments.
3. Recommending investment managers to fulfill specific roles defined by the manager structure, subject to approval by the Commission.
4. Monitoring and evaluating each investment manager's performance relative to established guidelines and objectives.
5. Recommending the termination and, if appropriate, replacement of an investment manager when prudent. Termination rational could include, but is not limited to, concerns related to performance, organization, process, or investment style.
6. Monitoring investment expenses, including investment manager fees, trustee and Custodian fees, and trading costs.

C. INVESTMENT ADVISORY PANEL

The "Investment Advisory Panel" (or "Panel") is established by the Act to provide advice and counsel to the Commission. The Commission appoints members to the Panel in a manner consistent with the representation prescribed in the Act. Specific responsibilities of the Panel include, but are not limited to, the following.

1. In accordance with the Act, the Panel shall meet at least twice annually. At least once each year the Commission Chair shall designate a time and place at which the Panel shall meet publicly with the Commission to discuss issues and concerns relating to the Illinois prepaid tuition program.
2. The Panel shall offer advice and counseling regarding the investments of the Illinois prepaid tuition program with the objective of obtaining the best possible return on investments consistent with actuarial soundness of the program and the risk level expected from the asset allocation.
3. The Panel is required to annually review and advise the Commission on provisions of the strategic investment plan (this Investment Policy) for the prepaid tuition program.

4. The Panel is also charged with reviewing and advising the Commission with regard to the annual report that describes the current financial condition of the program.
5. The Panel at its own discretion also may advise the Commission on other aspects of the program.

D. CHIEF INVESTMENT OFFICER

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 will work closely with the Executive Director, Investment Consultant and Investment Staff to carry out the duties and responsibilities of this role. Specific responsibilities of the CIO include, but are not limited to, the following.

1. Monitoring the actions of investment service providers including investment managers, Custodian, and Investment Consultant.
2. In conjunction with Investment Consultant, coordinating ongoing monitoring of investment managers, including periodic interviews and on-site visits as required.
3. In conjunction with the Investment Consultant, developing proposals to enhance the investment plan. This includes periodic review of the Investment Policy, asset allocation, and investment manager structure.
4. Overseeing the process of procuring investment service providers to ensure the requirements of the Policy are met.
5. Preparing meeting agendas and presentation materials for the Investment Committee, Investment Advisory Panel, and investment-related items for the Commission.
6. Directing rebalancing activity in accordance with the Policy and meeting the cash needs of the program.
7. Working with the Fund’s actuary and auditor.
8. Monitoring and evaluating applicable governmental regulations and consulting with legal counsel regarding Fund matters.
9. Verifying the Fund’s compliance with guidelines and reporting deviations to the Investment Committee.
10. Protecting Fund assets against fraud, error, misrepresentation by third parties and imprudent actions by employees and Fund agents or delegates.
11. In conjunction with the Accounting Department, developing and maintaining a system of internal controls to assure compliance with this Investment Policy and investment objectives.
12. Monitoring investment managers regarding their voting of proxies of investment securities managed on behalf of the Fund and providing guidance as appropriate.
13. Establishing a process that encourages the utilization of minority investment managers and broker dealers in managing the assets of the Program within the bounds of financial and fiduciary prudence and applicable laws.
14. Contributing investment information for the Annual Report including a summary of investment performance, comparison to benchmarks, current and historical asset allocation, and other pertinent matters.

15. The CIO shall keep the Executive Director informed regarding Fund activity, performance, and matters of significant concern. The CIO shall coordinate joint meetings with the Executive Director and Investment Consultant as needed, but at least quarterly, to review Fund performance and investment plans and activity.
16. 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 shall provide periodic investment updates to the Investment Committee and the Commission and shall proactively communicate any matters of significant concern to the Commission Chair as soon as practicable.

E. INVESTMENT STAFF

For purposes of this Investment Policy, Investment Staff refers to the CIO and investment professionals or support staff involved in the investment process. All "Investment Staff" must be thoroughly familiar with this Investment Policy.

F. INVESTMENT CONSULTANT

The primary role of the Investment Consultant is to provide the information, analysis, and advice required by the Investment Staff, 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. Specific responsibilities of the Investment Consultant include, but are not limited to, the following.

1. Assisting in the development, implementation and evaluation of the investment policy that reflects the Fund's investment objectives including risk tolerance, performance, funded status, and expenses.
2. Assisting in the development, implementation and evaluation of an investment manager structure that provides appropriate diversification with respect to the number and types of investment managers retained.
3. Making recommendations regarding the identification of appropriate market benchmarks and peer groups against which each investment option should be evaluated.
4. Assisting in the search process for service providers, including on-site due diligence as required.
5. Producing quarterly reports to assist in evaluating the investment plan, risk, and performance. Such reports will evaluate the performance and risk characteristics of each investment manager relative to established objectives. The Investment Consultant will also evaluate the investment style of each manager to determine if the manager is fulfilling the role for which they were hired. In conjunction with these reports, the Investment Consultant will provide recommendations for action when appropriate or when requested.
6. Monitoring the investment management firms and products employed by the Fund on an on-going basis and inform the CIO and Commission, as appropriate, of any developments that might impact performance of Fund investments.
7. Educating Investment Staff and the Commission, as appropriate, on investment issues that could impact the Fund.

G. CUSTODIAN

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. Specific responsibilities of the Custodian include, but are not limited to, the following.

1. Safekeeping services for both domestic and international securities.
2. Timely settlement of securities transactions, including cross-border investments.
3. Proper pricing of equities, fixed-income, and international securities.
4. Timely collection of income, including tax reclaim.
5. Prompt and accurate administration of corporate actions, including proxy issues.
6. Direct, accurate daily communications with investment managers to ensure trades are correct and confirmed.
7. Proactive reconciliation with investment managers at least monthly before monthly statements are rendered.
8. Immediate communication with the CIO regarding any concerns or issues with respect to services provided by the Custodian.

H. INVESTMENT MANAGERS

The Commission may authorize the hiring of professional investment managers to manage the assets of the Fund. The specific duties and responsibilities of each investment manager include, but are not limited to, the following.

1. Managing those assets of the Fund that are under the supervision of the investment manager in accordance with this Investment Policy and any specific guidelines and objectives.
2. Exercising investment discretion in regard to buying, managing, and selling Fund assets under the supervision of the investment manager, subject to any limitations contained in the Investment Policy or other governing document between ISAC and the investment manager. In the event of conflicting guidance or limitations the Investment Policy shall take precedence.
3. Investment managers have the responsibility for voting proxy issues on securities held. All proxies will be voted exclusively for the best interests of the Fund. Investment managers who vote proxies will maintain written policies for proxy voting and keep a proper record of all proxies to which the Fund is entitled. A written report will be provided semiannually to the CIO and Investment Consultant.
4. The Investment managers shall also provide written reports to the CIO and Investment Consultant on at least a quarterly basis, detailing performance for the most recent period, net of all fees.
5. The investment managers must execute all trading on the portfolios that they manage on a best execution basis and absolutely no soft-dollar trades may occur. (Soft-dollar refers to a method of paying brokers for non-trading services, such as research, through trading commissions.)
6. Investment managers must communicate on a timely basis to the CIO and Investment Consultant: (1) any significant changes regarding economic outlook, investment strategy, or any other factors which may have an impact upon the achievement of their portion of the

Fund's investment objectives and (2) changes within the investment management organization within five (5) business days of such change(s). Examples include, but are not limited to: changes in portfolio management personnel, ownership structure, and investment philosophy, or the initiation of any legal or regulatory action that could materially affect the investment manager's ability to properly manage the portfolio. Communicating with the CIO and Investment Consultant in writing regarding all significant changes pertaining to Fund assets under the supervision of the investment manager or relating to the investment manager itself such as changes in ownership, organizational structure, financial condition, and professional staff of the investment manager. This Communication must be received within five (5) business days after the change occurs.

7. Participation by Minority/Women/Disabled Owned Broker Dealers: It is the policy objective of the Commission to increase access and business with minority-owned brokers/dealers. The term "minority" will be used for all firms as defined in the Illinois Business Enterprise for Minorities (Black/African American, Asian American, Hispanic, Native American, or Alaskan Native), Females, and Persons with Disabilities Act (30 ILCS 575/). Broker/dealer transactions must be completed on a best execution basis. The investment managers shall provide written reports on at least a quarterly basis detailing the use of minority brokers/dealers and, when appropriate, obstacles to utilization and efforts to overcome those obstacles.
8. The Commission may utilize pooled funds (e.g. mutual funds, commingled funds, collective trusts, limited partnerships) that are generally aligned with this policy when selected. However, pooled funds are controlled by their specific governing documents and are not customizable; therefore, it may be infeasible to require that they adhere to this Investment Policy. If practicable, the Commission will request that any Manager of a pooled fund inform ISAC if the investment policies, objectives, or guidelines of any such fund undergo material changes.

I. SECURITIES LENDING PROVIDER

The Commission may authorize the use of a securities lending provider, which refers to any third-party firm (Agent) that lends the assets of the Fund to other parties in exchange for collateral and interest (income). Cash collateral received from securities borrowers will be deposited upon receipt in an approved short-term investment vehicle or vehicles. The Agent may lend financial securities (including but not limited to U.S. and non-U.S. equities, corporate bonds and U.S. and non-U.S. government securities). This Agent shall have full discretion over the selection of borrowers and shall continually review the creditworthiness of potential borrowers through extensive analysis of publicly available information and any other material available to them. All loans shall be fully collateralized with cash, government securities, or irrevocable bank letters of credit. Initial collateral levels equal to a percentage of the market value of the borrowed securities shall not be less than 102% plus accrued interest for U.S. securities and non-U.S. fixed income securities, and 105% plus accrued interest for non-U.S. equity securities, except that if the borrowed securities are non-U.S. fixed income or equity securities denominated in the same currency as the collateral (currently, U.S. dollars only), the initial collateral level will be 102%. Securities on loan should be marked-to-market on a daily basis to assess adequacy of collateralization. The Agent shall provide periodic performance reports to the Investment Staff and Investment Consultant. The securities lending program should in no way inhibit the portfolio management activities of the Fund's investment managers.

J. ADDITIONAL PROFESSIONALS

Additional professionals, including but not limited to attorneys, specialized investment consultants, actuaries, and auditors may be retained by ISAC to assist the prudent administration of the Fund.

K. DIVERSITY OF FIDUCIARIES

The following policy addresses the requirement of section 30(b-5) of the Prepaid Tuition Act (110 ILCS 979/30) and section 1-109.1(5) of the Illinois Pension Code (40 ILCS 5/1-109.1) as required by Illinois Public Act 98-1022.

It is the policy goal of the Illinois Student Assistance Commission to increase the racial, ethnic, and gender diversity of fiduciaries to the College Illinois! Prepaid Tuition Program (the Program), including its consultants and senior staff. In relation to senior staff, ISAC maintains an annual written Affirmative Action Program and will continue to undertake utilization of protected groups as defined by the Illinois Department of Human Rights.

When procuring consultant services for the Program, ISAC shall encourage participation of businesses owned by minorities, females and persons with disabilities to respond to Requests for Proposals and will also work to encourage majority firms acting as fiduciaries to hire and promote minorities, females or persons with disabilities in senior staff and ownership positions.

Investment Managers shall be procured in the manner prescribed by section V of this Investment Policy and in accordance with P.A. 98-1022. Policy goals to increase the utilization of such businesses owned by minorities, females or persons with disabilities are addressed in section V.G. of this Investment Policy.

The foregoing goals shall be reviewed by the commission on an annual basis.

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IV. INVESTMENT STRUCTURE

A. ASSET ALLOCATION

The asset allocation establishes target weights for each asset class and is designed to maximize the long-term expected return of the Fund within an acceptable risk tolerance while providing liquidity to meet program liabilities. The asset allocation is a key determinant of investment performance and should be established by the Commission based on a robust study. Descriptions of the asset classes and limitations to control risk and ensure adequate diversification are included in Section VIII, Asset Class Definitions and Operational Guidelines. The table below establishes long-term asset allocation targets as well as interim targets and rebalancing ranges. Interim targets are necessary to accommodate long-term contractual commitments and to minimize transition cost. Rebalancing ranges are not included where liquidity constraints prevent rebalancing.

	Targets		Rebalancing Range	
Asset Allocation	**Long-term**	**Interim**	**Lower Limit**	**Upper Limit**
U.S. Equity	17%	18%	15%	21%
Non-U.S. Equity	17%	18%	15%	21%
Fixed Income	39%	35%	32%	39%
High Yield	6%	5%	4%	6%
REIT	6%	5%	3%	7%
Absolute Return	6%	6%	3%	9%
Real Estate	4%	5%	N/A	N/A
Infrastructure	2%	5%	N/A	N/A
Private Equity	1%	1%	N/A	N/A
Cash	2%	2%	0%	4%

The asset allocation targets will be reviewed annually for reasonableness in relation to significant economic and market changes or to changes to the investment objectives. A formal asset allocation study will be conducted as directed, but at least every three years, to verify or provide a basis for revising the targets.

B. INVESTMENT MANAGER STRUCTURE

The investment manager structure establishes the investment manager roles that will be used to implement the asset allocation. The investment manager structure will emphasize simplicity and cost control and toward that end will employ the minimum number of managers necessary to assure appropriate diversification within each asset class.

C. REBALANCING POLICY

One essential component of a strategic asset allocation policy is the development and use of rebalancing ranges for the target allocation. The ranges specified in the table above are a function of the expected liquidity and volatility of each asset class, the interim target allocation, and liquidity needs of the Fund.

The CIO has the responsibility and authority to rebalance the Fund. Asset transfers required to carry out the operation of the Program (including cash flow and capital calls) shall be implemented with a bias toward moving the asset allocation closer to targets if possible. The Investment Consultant shall prepare quarterly reports reviewing the actual asset allocation percentages, demonstrating whether the lower or upper limits have been reached. When asset allocations exceed the prescribed limits, or when deemed prudent by the Investment Consultant or CIO, Fund assets may be rebalanced to the target levels or to some point within the target range. No rebalancing action is necessarily required if an asset class weight breaches a rebalancing limit. However, the CIO shall document the rationale for not taking action if an allocation falls outside of the rebalancing range.

D. TRANSITION MANAGEMENT

In the event of the need to transfer the management of the assets from one investment firm to another, investment staff will effect the change in as efficient and prudent a manner as possible. The use of transition manager(s) is permitted when deemed in the best interests of the Fund. Transition plans may include, but are not limited to, the following: a transfer of securities to an appropriate index fund, crossing securities with other institutional investors, or a transfer of securities to another approved investment manager. Transition managers shall be selected using a process consistent with ISAC administrative rules for Investment Services Procurement.

E. POLICY BENCHMARK

The primary benchmark (the "Policy Benchmark") for evaluating the performance of the Fund 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 Fund 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	18%
Non-U.S. Equity	MSCI ACWI xUS IMI	18%
Fixed Income	Barclays U.S. Aggregate	35%
High Yield	BofA MLHY Master II	5%
REIT	MSCI US REIT	5%
Absolute Return	90-day T Bills +4%	6%
Real Estate	NCREIF ODCE	5%
Infrastructure	90-day T Bills +4%	5%
Private Equity	Russell 3000	1%
Cash	90-day T-Bills	2%

V. INVESTMENT SERVICE PROVIDER HIRING GUIDELINES

The Commission has established the following hiring guidelines to assure all interested parties that decisions made in carrying out these actions occur 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.

A. CLEARLY DEFINED OBJECTIVES

Any action to hire an investment service provider shall be based on one or more of the following reasons:

1. Formal asset class evaluation or structure study;
2. Pending expiration of fixed-length contracts;
3. Identification of a new asset class or approach;
4. A need for diversification of styles within an existing asset class; and/or
5. A need to replace an investment service provider terminated by the Commission or pending termination.

The Investment Committee and Commission shall be kept informed of planned search activity and ongoing status.

B. SEARCH AND SELECTION PROCESS

The selection of investment service providers will adhere to a consistent process to ensure an open and competitive universe, proper evaluation and due diligence of all candidates, and selection of candidates that are best able to demonstrate the characteristics sought in a specific search. The search process for investment service providers shall be conducted in accordance with ISAC administrative rules for Investment Services Procurement (23 Ill. Adm. Code 2775.80). A copy of these rules is available on the program's web site. http://www.isac.org/about-isac/administrative-rules/

C. DEFINING EXPECTATIONS

Each investment manager hiring recommendation submitted to the Investment Committee and the Commission shall include, but not be limited to, the following.

1. A description of the organization and key people.
2. A description of return expectations.
3. The risks inherent in the manager's approach.
4. An analysis of the key concerns and/or risks inherent in the investment.
5. The proper time horizon for evaluation of results.
6. Identification of relevant comparative measures such as benchmarks and/or peer samples.
7. The suitability of the investment within the relevant asset class.

Investment Staff may incorporate the relevant factors related to expectations of the manager into the executed Investment Management Agreement and/or statement of work if applicable.

D. CONTINGENT AND PLACEMENT FEES PROHIBITED

No person or entity shall retain a person or entity to attempt to influence the outcome of an investment decision or the procurement of investment advice or services of the Fund for compensation, contingent in whole or in part upon the decision or procurement. This requirement shall be stipulated and acknowledged in each RFP.

E. QUIET PERIOD

The following communication guidelines will be instituted during a search process for a service provider.

1. A Quiet Period will commence upon formal action to authorize a search for a service provider and end upon termination of the search or contract execution.
2. Initiation and conclusion of the Quiet Period shall be communicated to the Executive Director, Investment Staff, members of the Commission and Investment Advisory Panel, and any ISAC employees involved in the search process.
3. All applicable persons not directly involved in the search process shall refrain from communicating with service provider candidates regarding any product or service related to the search offered by the candidate throughout the quiet period and shall refrain from accepting meals, travel, hotel, or other value from the candidates.
4. Throughout the quiet period, if any subject person is contacted by a candidate, that person shall refer the candidate to the Fund's CIO or ISAC's General Counsel.
5. Information related to the search process shall be communicated by the Investment Consultant, CIO, or ISAC's General Counsel to the relevant Investment Committee or Commission as a whole, and not to individual members.
6. The Quiet Period does not prevent approved due diligence, client conference attendance, or communications with a service provider that happens to be a candidate in the ordinary course of services provided by such service provider; however, discussions related to the pending selection shall be avoided during those activities.
7. These Quiet Period provisions will apply to service provider candidates and shall be communicated to candidates in conjunction with any competitive search process.
8. A service provider candidate may be disqualified from a search process for violating the Quiet Period guidelines.

F. INVESTMENT AGREEMENTS

It is the responsibility of the Fund's attorneys to review and negotiate all contracts for investment service providers. Investment Staff will assist in the review of all agreements and fee negotiations.

The investment agreement or contract should include, but is not limited to, the provisions described below. Any exceptions to these provisions shall be reviewed by legal counsel and disclosed to the Investment Committee and Commission.

1. Acknowledgement in writing by the investment manager or Investment Consultant 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.
2. Acknowledgement in writing by investment managers that they are currently registered and will maintain registration as an investment advisor under the Investment Advisors Act of 1940

("40 Act"), a bank (as defined in the 40 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.

3. Reference to the Fund's Investment Policy and notice that the policy is subject to change. The investment manager or Investment Consultant shall acknowledge receipt of and duty to comply with this Investment Policy. This acknowledgement shall include specific reference to the Conflicts of Interests provisions of the Policy and any additional ethics policies and guidelines established by the Commission or pursuant to applicable law.
4. Acknowledgement in writing by investment managers that they have no legal or regulatory actions/judgments pending or outstanding that would have an adverse effect on the investment manager's ability to continue managing assets of the Fund.
5. Acknowledgement in writing by investment managers that they have no other material issues that would negatively impact the Fund.
6. Acknowledgement in writing by investment managers that they have in effect the required insurance policies and/or bonds to protect the Fund against losses from the negligent acts and errors or omissions of the investment manager.
7. Full disclosure of direct and indirect fees, commissions, penalties, and other compensation, including reimbursement for expenses, that may be paid by, to, or on behalf of the Investment Consultant or others in connection with the provision of services to the Fund.
8. A requirement that the investment manager or Investment Consultant submit periodic written reports, on at least a quarterly basis. Performance reports shall include net returns on investments after payment of all fees, commissions, and any other compensation. All performance reports shall indicate whether the report is gross (before) or net (after) of fees.
9. Compensation to investment manager or Investment Consultant shall be limited to hard dollars for all services rendered and no other forms of compensation, including any type of soft dollar arrangements, are allowed.
10. Disclosure of the names and addresses of: (i) the investment manager or Investment Consultant (ii) any entity that is a parent of, or owns a controlling interest in, the investment manager or Investment Consultant; (iii) any entity that is a subsidiary of, or in which a controlling interest is owned by, the investment manager or Investment Consultant; (iv) any persons who have an ownership or distributive income share in the investment manager or Investment Consultant that is in excess of 7.5%; or (v) serves as an executive officer of the investment manager or Investment Consultant.
11. Disclosure of the names and addresses of all subcontractors, if applicable, and the expected amount of money each will receive under the agreement, including an acknowledgement that the contractor must promptly make notification, in writing, if at any time during the term of the contract a contractor adds or changes any subcontractors. For purposes of this subparagraph, "subcontractor" does not include non-investment related professionals or professionals offering services that are not directly related to the investment of assets, such as legal counsel, actuary, proxy-voting services, and investment fund-of-funds where ISAC has no direct contractual relationship with the investment managers or underlying partnerships.
12. A "Most Favored Nation" (MFN) clause assuring the Fund is paying the lowest comparative price.

G. MINORITY INVESTMENT MANAGER POLICY

The following policy addresses the requirements of section 30(b-5) of the Prepaid Tuition Act (110 ILCS 979/30) and section 1-109.1(9) of the Illinois Pension Code (40 ILCS 5/1-109.1) as required by Illinois Public Act 98-1022.

It is the policy objective of Illinois Student Assistance Commission to use minority investment managers in managing the assets of the Prepaid Tuition Trust Fund (the Fund) to the greatest extent feasible within the bounds of financial and fiduciary prudence and to remove any barriers to the full participation in investment opportunities of the Fund. In furtherance of this objective and in accordance with Public Act 98-1022 the following minority investment manager utilization goals are established.

Minority* Investment Manager Ownership Classification	Utilization Goal**
Minority Owned Businesses	11%
Female Owned Businesses	7%
Businesses Owned by a Person with a Disability	2%
Total Minority Investment Manager Utilization	**20%**

**"minority investment manager" means a qualified investment manager that manages an investment portfolio and meets the definition of "minority owned business", "female owned business", or "business owned by a person with a disability", as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act (30 ILCS 575).*
***The goal shall apply to both fees paid and assets under management.*

The Commission shall annually review the goals established under this Policy.

VI. INVESTMENT MANAGER MONITORING AND EVALUATION

A. MANAGER EVALUATION AND REVIEW

Investment Staff and the Investment Consultant will evaluate each investment manager from a qualitative and quantitative standpoint on a quarterly basis.

1. Qualitative factors include, but are not limited to, the following.
   a. Ownership changes or departure of key personnel.
   b. Assets under management at the firm and product level.
   c. Conflicts of interest.
   d. Changes in investment strategy.
   e. Material litigation or regulatory challenges involving the investment manager.
   f. Material client-servicing problems.
   g. Minority brokerage utilization.

2. Quantitative Review.

Long-term performance standards should measure an investment manager's performance from inception and on a rolling five-year returns basis in relation to a broad market index or indices that the investment manager previously agreed to be measured against. If an investment manager fails to generate a return premium in excess of the agreed-upon index or indices, then the CIO and Investment Consultant shall conduct due diligence and make a recommendation to the Investment Committee as to the appropriate action to take.

Shorter-term performance will be measured in relation to an appropriate style index and "Peer Group." Each investment manager is to be measured against the median return of a peer group of investment managers with similar investment styles.

Managers are expected to maintain their stated investment style and philosophy. Quantitative measures of investment style and philosophy include style mapping, style attribution analysis, and tracking error relative to the benchmark. The Investment Consultant will report these factors on a quarterly basis.

B. WATCH LIST PROCEDURE AND CRITERIA

A number of factors may contribute to a manager's over- or under-performance at any given time – market dynamics, investment skill, and/or pure chance. Given this uncertainty, it is unwise to mandate termination purely for lagging performance at any specific point. A Watch List will be utilized to identify managers of concern, due to performance or other issues.

The Watch List shall be considered at each meeting of the Investment Committee. Investment Staff may recommend managers to be included on or removed from the Watch List. A manager may be recommended for the Watch List based on the qualitative or quantitative criteria described above or in the applicable guidelines or statement of work (SOW). Watch List managers will be closely monitored and scrutinized. Watch List managers may not receive new contributions (including rebalancing) without the approval of the Investment Committee.

VII. INTERNAL CONTROLS AND CONFLICTS OF INTERESTS

A. INTERNAL CONTROLS

The CIO, in conjunction with the Accounting Department, shall establish a system of internal controls, which shall be documented and reviewed by the Investment Committee and the Investment Advisory Panel. The controls shall be designed to prevent losses arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees.

B. CONFLICTS OF INTERESTS

The Commission and its members, employees and any other persons authorized to make or influence investment decisions, including members of the Investment Advisory Panel, investment managers, and other fiduciaries of the investment (either directly or through investment managers) of any Fund assets on behalf of the Commission must (1) comply with all obligations and requirements of ISAC's Ethics Policy, applicable provisions of the Illinois Governmental Ethics Act and all other applicable laws pertaining to ethics, prohibited acts or gift bans and (2) refrain from personal business activity that could potentially conflict with proper execution of this Investment Policy or impair their ability to make impartial decisions.

Under no circumstances shall a participant in the investment process receive any type of financial gain, either directly or indirectly, from the investment of any Program funds. Any real or perceived conflict of interest shall be reported, in writing, to the CIO and Ethics Officer. This written report shall be communicated to the Commission at the next meeting of the Commission.

VIII. ASSET CLASS DEFINITIONS AND OPERATIONAL GUIDELINES

A. DOMESTIC EQUITY

Domestic Equity generally refers to the common equity of companies domiciled in the United States. The asset class is characterized by favorable liquidity and relatively higher expected returns coupled with higher volatility.

1. Approved Securities
    a. Common stock of any issuer traded on a U.S. stock exchange or in the U.S. over-the-counter markets which are denominated in U.S. dollars.
    b. Securities which take the form of sponsored and/or unsponsored American Depository Receipts ("ADRs") Global Depository Receipts ("GDRs") and/or European Depository Receipts ("EDRs").
    c. Stock purchase rights and warrants of any issuer for which equity may be purchased.
    d. Preferred stocks (convertible and non-convertible) of any issuer for which equity may be purchased.
    e. Master limited partnership interests (if publicly traded).
    f. Securities of special purpose issuers of all types including without limitation unit investment trust (ETFs, etc.), open-end and closed-end funds and real estate investment trusts.

2. Limitations
    a. The following categories of equity securities are prohibited.
        i. Securities of the investment manager or an affiliated organization.
        ii. Short Sales.
        iii. Put and call options.
        iv. Futures.
        v. Private placements, restricted stock, or venture capital.
        vi. 144-A issues.
        vii. Margin purchases.
        viii. Commodities.
        ix. Direct real estate investments.
        x. Foreign listed stocks.
    b. The combined holdings of preferred stocks and convertible bonds shall not exceed 10% of the portfolio.
    c. Investment in any one issuer shall not exceed 5% of the market value of the portfolio at the time of purchase.
    d. No more than 10% of the market value of the portfolio may be held in any one issuer at any time.
    e. Investment in any one industry, as defined by the relevant index, shall not exceed 30%

of the market value of assets in the portfolio.

f. Investment in any one company in the portfolio may be no more than 10% of the total market value of that company.
g. At no point in time shall the portfolio hold a security in which the investment manager's firm has an aggregate position in the security that exceeds 15% of the fair market value of the outstanding stock of the company.
h. Exchange traded funds shall not exceed 10% of the market value of the portfolio.
i. Foreign securities shall be limited to 10% of the market value of the portfolio.
j. Cash and cash equivalents shall not exceed 5% of the market value of the portfolio.

3. Provisions for Passive Equity Managers
   a. The separate account will replicate the characteristics and weightings of the appropriate benchmark through full replication or sampling techniques. "Optimizing" techniques may be used to minimize trading costs, subject to a pre-determined tracking error.
   b. Subject to prior approval from an Authorized Commissioner the CIO may purchase for the Fund an Exchange Traded Fund (ETF) to affect passive exposure to an equity index so as to replicate the characteristics and weightings of the appropriate benchmark. Authorized Commissioners are the Chair of the Commission or other Commission Member specifically designated in writing by the Chair of the Commission.

B. INTERNATIONAL EQUITY

International Equity refers to the common equity of companies domiciled outside of the United States. The asset class is characterized by favorable liquidity and relatively higher expected returns coupled with higher volatility. This asset class plays a growth role in the portfolio similar to Domestic Equity and serves to diversify the equity risk across the globe.

1. Approved Securities
   a. Foreign equity securities, defined as equity securities that are issued by any company that is organized or headquartered in a foreign country, or whose primary business (75% or more) is conducted outside the U.S.
   b. Foreign securities may include preferred stock, stock purchase rights and warrants of any foreign issuer for which equity may be purchased.
   c. American Depository Receipts; European Depository Receipts; Global Depository Receipts; or similar instruments representing securities of foreign companies.
   d. Financial futures are allowed for hedging purposes only. They are not allowed for speculation or for leveraging the portfolio.

2. Limitations
   a. The following categories of equity securities are prohibited.
      i. Securities of the investment manager or an affiliated organization.
      ii. Short sales.
      iii. Put and call options.
      iv. Private placements, restricted stock, or venture capital.
      v. 144-A issues.
      vi. Margin purchases.
      vii. Commodities.

viii. Direct real estate investments.

b. The combined holdings of preferred stocks and convertible bonds shall not exceed 10% of the portfolio.
c. Investment in any one issuer shall not exceed 5% of the market value of the portfolio at the time of purchase.
d. No more than 10% of the market value of the portfolio may be held in any one issuer at any time.
e. Investment in any one company in the portfolio may be no more than 10% of the total market value of that company.
f. At no point in time shall the portfolio hold a security in which the investment manager's firm has an aggregate position in the security that exceeds 15% of the fair market value of the outstanding stock of the company.
g. Investment in any one industry, as defined by the relevant index shall not exceed 30% of the market value of assets in the portfolio.
h. Exchange traded funds shall not exceed 10% of the market value of the portfolio.
i. Allocation to companies domiciled in emerging markets shall not exceed a 10% overweight versus the applicable benchmark index.
j. Domestic securities shall be limited to 10% of the market value of the portfolio.
k. Cash and cash equivalents shall not exceed 5% of the market value of the portfolio.

3. Provisions for Passive Equity Managers
   a. The separate account will replicate the characteristics and weightings of the appropriate benchmark through full replication or sampling techniques. "Optimizing" techniques may be used to minimize trading costs, subject to a pre-determined tracking error.
   b. Subject to prior approval from an Authorized Commissioner the CIO may purchase for the Fund an Exchange Traded Fund (ETF) to affect passive exposure to an equity index so as to replicate the characteristics and weightings of the appropriate benchmark.

C. FIXED INCOME

The Fixed Income Asset Class has traditionally consisted of corporate or government debt securities that paid periodic interest and returned the principal amount at maturity. In recent years the types of fixed income securities have expanded to include a wide variety of instruments that generally represent a contract for payment or exchange of value. Expected returns and volatility are relatively low and the asset class serves a safe haven role to offset equity volatility. Fixed income may be vulnerable to loss of value during periods of inflation or rising interest rates.

1. Approved Securities
   a. Obligations, issued or guaranteed by the U.S. Federal Government, U.S. Federal agencies or U.S. Government sponsored corporations and agencies.
   b. Obligations of U.S. and non-U.S. corporations such as mortgage bonds, convertible and non-convertible notes and debentures, preferred stocks, commercial paper, certificates of deposit and bankers acceptances issued by industrial, utility, finance, commercial banking or bank holding companies.
   c. Mortgage backed and asset backed securities.
   d. Obligations, including the securities of emerging market issuers, denominated in U.S. dollars or foreign currencies of international agencies, supranational entities and

foreign government (or their subdivisions or agencies), as well as foreign currency exchange-related securities, warrants and forward contracts.

e. Obligations issued or guaranteed by local, city and state governments and agencies
f. Swaps, forward, options on swaps options on forwards.
g. Commercial paper defined under Section 4(2) of the Securities act of 1933.
h. Mortgage-related securities, including CMO's, CMBS's, and mortgage derivatives (mortgage derivatives include Interest Only strips (IOs), Principal only strips (POs), inverse IOs, and inverse floating rate notes, CMO residuals).
i. Collateralized repurchase agreements and reverse repurchase agreements.
j. Loan participations.
k. Variable and floating rate securities.
l. Preferred Stock.
m. Asset backed securities.
n. Interest rate swaps and futures and options contracts on Treasuries, Agencies, Non-U.S. sovereign debt and interest rates.
o. Credit default swaps.

2. Limitations
   a. The weighted average credit quality of portfolio holding will not fall below A- or equivalent.
   b. No more than 20% of the portfolio will be invested in issues rated below Baa3 or BBB-, A2 or P2.
   c. No more than 10% in non-U.S. securities (dollar and non-dollar) rated below investment grade.
   d. 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.
   e. No more than 20% of the portfolio may be invested in unhedged non-dollar bonds.
   f. Obligations of national governments other than U.S. are limited to 10% per issuer.
   g. 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.
   h. Obligations of other issuers are subject to a 5% per issuer limit excluding investments in commingled vehicles.
   i. 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.

3. Provisions for Passive Fixed Income Managers
   a. The account will replicate the characteristics and weightings of the appropriate benchmark through full replication or sampling techniques. "Optimizing" techniques may be used to minimize trading costs, subject to a pre-determined tracking error.
   b. Subject to prior approval from an Authorized Commissioner the CIO may purchase for the Fund an Exchange Traded Fund (ETF) to affect passive exposure to bond index so as to replicate the characteristics and weightings of the appropriate benchmark.

D. HIGH YIELD

The high yield asset class provides high current income and capital appreciation through investments in a diversified portfolio primarily consisting of bank loans, including certain private, middle-market loans, high yield fixed-income securities, distressed debt, and other obligations. These investments are expected to provide returns similar to equities with less volatility, offset by more constrained liquidity and higher correlation to equities than traditional fixed income investments. Investment parameters are unique to each fund and are specified in the associated fund documents. No searches in the high yield asset class may be initiated without the expressed approval of the Commission. Any recommendation to initiate a search must clearly specify the search criteria including risk and liquidity parameters.

E. REAL ESTATE INVESTMENT TRUSTS (REIT)

Real estate Investment Trusts (REITs) provide exposure to the real estate market with liquid equity and fixed income securities. These investments are expected to exhibit returns and volatility similar to equities with modest correlation to both equities and real estate. The Fund's approach to this asset class focuses on risk mitigation through the use of REIT preferred and fixed-income securities as well as cash. Returns are expected to be similar to REIT indexes over the long term, but will likely lag the index during strong rallies and outperform during market stress. Investment parameters are unique to each fund and are specified in the associated fund documents. No searches in the REIT asset class may be initiated without the expressed approval of the Commission. Any recommendation to initiate a search must clearly specify the search criteria including risk and liquidity parameters.

F. REAL ESTATE

The real estate asset class provides the potential for income, asset appreciation, inflation protection, and portfolio diversification through investments in land, office buildings, apartments, or other real estate investments. Investment parameters are unique to each fund and are specified in the associated fund documents.

Real estate investments are typically made via private fund structures that may be characterized by significant return potential offset by long-term commitments. No searches in the real estate asset class may be initiated without the expressed approval of the Commission. Any recommendation to initiate a search must clearly specify the search criteria including risk and liquidity parameters.

G. INFRASTRUCTURE

Infrastructure refers to structures and facilities needed for the operation of a society or enterprise. These can include, but are not limited to, investments such as roads, water purification and distribution, power generation and distribution, airport facilities, and parking garages. The infrastructure class provides the potential for income, asset appreciation, inflation protection, and portfolio diversification through investments in infrastructure projects domestically and around the world. Investments may be similar to real estate and can also be made across the capital structure including equity, preferred stock, subordinated debt, unsecured debt, and secured debt. Investment parameters are unique to each fund and are specified in the associated fund documents.

Infrastructure investments are typically made via private fund structures that may be characterized by significant return potential offset by long-term commitments. No searches in the infrastructure asset class may be initiated without the expressed approval of the Commission. Any recommendation to initiate a search must clearly specify the search criteria including risk and liquidity parameters.

H. ABSOLUTE RETURN

The absolute return asset class consists of investments in hedge funds and funds of hedge funds. Generally these funds use “hedging” strategies to reduce or eliminate certain risks associated with external factors such as fluctuations in the equity markets or interest rates. Return expectations are product dependent, but generally these investments have a superior return vs. risk profile due to the hedging component. Historically, hedge funds have provided “equity-like” returns with about half the volatility (risk) and only modest correlation to the traditional asset classes. Fees are typically higher and liquidity may be constrained. Generally invested capital is available in a matter of months, not years, and sometimes may be accessed earlier for a penalty fee.

Reduced transparency into fund holdings and activity is typical for these funds and a higher level of due diligence and monitoring is necessary. The fund of hedge funds structure can provide this additional monitoring as well as diversification, but this comes at a cost of an additional layer of fees and potential dilution of returns if the investment pool is overdiversified.

Investment parameters are unique to each fund and are specified in the associated fund documents. No searches in the absolute return asset class may be initiated without the expressed approval of the Commission. Any recommendation to initiate a search must clearly specify the search criteria including risk and liquidity parameters.

I. PRIVATE EQUITY

Private equity broadly refers to investments in private companies (direct investments) or funds that hold investments in private companies or securities that are not typically traded in the public markets. Frequently these investments need “patient” capital to allow time for investment potential to be realized through a combination of capital investment, management initiatives, or market development. Generally, private equity represents the highest potential for return and risk in the portfolio. Historically, volatility for private equity has been less than public equities, but this is influenced by the valuation process which is less frequent (quarterly vs. daily) than the public markets and subject to estimation biases.

Private equity investments are typically made via private fund structures that may be characterized by significant return potential offset by long-term commitments. No searches in the private equity asset class may be initiated without the expressed approval of the Commission. Any recommendation to initiate a search must clearly specify the search criteria including risk and liquidity parameters.

Secondary Funds: Much of the Fund’s private equity exposure is to secondary funds. These funds purchase private equity interests in the secondary market, typically at a discount to current market value. The “fund of funds” structure reduces risk through diversification and liquidity is improved as many of the underlying investments are nearer to monetization.

PROHIBITION ON DIRECT PRIVATE EQUITY INVESTMENT
The Fund will not make any new direct private investments or new co-investments that are tied to a single company or investment.

IX. POLICY ADOPTION

The Investment Policy was originally adopted by the Commission for the Program on January 22, 1999. The policy has subsequently been revised and adopted on the following dates.
November 9, 2001
November 8, 2002
January 16, 2004
November 19, 2004
November 18, 2005
January 26, 2007
June 27, 2008
January 30, 2009
June 26, 2009
January 22, 2010
June 25, 2012
September 14, 2012
June 21, 2013
July 22, 2014
April 1, 2015
June 19, 2015
June 17, 2016
December 1, 2016
July 27, 2017
November 15, 2017
June 14, 2018
June 24, 2019