College Illinois!® Prepaid Tuition Program

Supplemental Actuarial Soundness Valuation Report as of June 30, 2021

GRS

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December 2, 2021

Mr. Eric Zarnikow
Executive Director
Illinois Student Assistance Commission
1755 Lake Cook Road
Deerfield, Illinois 60015-5209

**Re: College Illinois!® Prepaid Tuition Program
Supplemental Actuarial Soundness Valuation Report as of June 30, 2021**

Dear Mr. Zarnikow:

In accordance with the request of the Illinois Student Assistance Commission ("ISAC"), Gabriel, Roeder, Smith & Company ("GRS") has performed a projection of the College Illinois!® Prepaid Tuition Program ("Program" or "CIPTP") under a prescribed Closed Group Run-Off scenario. The purpose of this projection is to provide additional information to ISAC regarding the Program's projected funding status.

GRS provides independent actuarial services and advice to ISAC. GRS has no decision making authority or other such responsibility for ISAC, the State of Illinois, the CIPTP and anyone else affiliated with ISAC, and therefore, is specifically NOT serving in a fiduciary role in any way whatsoever.

Please understand that this projection was prepared at the request of ISAC and is intended for use by ISAC and those designated or approved by ISAC. This projection may be provided to parties other than ISAC only with the permission of ISAC. This projection should not be relied on for any purpose other than the purpose described above. GRS is not responsible for unauthorized use of this projection.

Future actuarial measurements may differ significantly from the current measurements presented in the attached projections 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.

This projection represents one of multiple documents providing actuarial soundness valuation results for the College Illinois!® Prepaid Tuition Program as of June 30, 2021. Additional information regarding the underlying financial and beneficiary data and important additional disclosures are provided in the June 30, 2021 Actuarial Soundness Valuation Report.

This projection is not a recommendation to anyone to participate or not participate in the CIPTP. GRS makes no representations or warranties to any person or persons participating in the CIPTP.

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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.

For purposes of this projection, we used the actuarial soundness valuation results from the June 30, 2021 Actuarial Soundness Valuation, and unless noted differently, the same actuarial assumptions and methods as used for the June 30, 2021 Actuarial Soundness Valuation. The projection results 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 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, 2021, and does not reflect subsequent market volatility.

The projection results involve actuarial calculations that require assumptions about future events. 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.

The College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period and is still not accepting new contracts for the 2021/2022 enrollment period. ISAC recently secured some state funding to start addressing the College Illinois!® Prepaid Tuition Program unfunded liability. There were two State appropriations from the State's General Revenue Fund – one for $30 million on behalf of fiscal year 2021 that is reflected in the assets as of June 30, 2021 and a second appropriation of $20 million for fiscal year 2022 that was received in the first quarter of fiscal year 2022. ISAC has informed us that they will continue to advocate for annual funding in future years until the full unfunded liability is addressed.

Under this Closed Group Run-Off scenario, Trust assets are projected to be depleted in the future. Therefore, we have incorporated a "select and ultimate" approach to the investment return assumption (and also the related discount rate for the liabilities). Under this "select and ultimate" approach to the investment return assumption, we have assumed that the net investment return and discount rate grade down from 5.25% to 3.00% in yearly increments based on the number of years until the Trust assets are projected to be depleted and are no longer available to pay benefits. Implicit in this approach is the assumption that once the Trust is completely exhausted, and ISAC is relying on additional payments from the State of Illinois, the State will be making payments to the College Illinois!® Prepaid Tuition Program from the State Portfolio. (The State Portfolio provides the necessary liquidity to meet the state's daily obligations while investing remaining funds in authorized short/long-term investment opportunities.) Based on input from ISAC, we have assumed that the underlying return on such assets in the State Portfolio is 3.00%.

According to the College Illinois!® Prepaid Tuition Program Disclosure Statement and Master Agreement:

> *There are risks associated with the Program Contracts. Though a Contract is not a savings program, Contract payments and related amounts are held in the Fund and invested.*
>
> *The Program's ability to honor existing and future Contracts depends primarily upon a combination of three factors: (i) continued Contract sales within projections; (ii) achieving a projected annual net return on Fund investments; and (iii) actual tuition/fee increases being within projected amounts. Favorable or unfavorable experience in one or more of these factors can result in the improvement or decline of the Program's funding.*
>
> *In the event Contract sales and/or investment returns are lower than expected or if tuition/fees increase beyond the Commission's expectations, the Program may not have sufficient funds to fulfill its obligations. The Program is a moral obligation of the State of Illinois requiring the Governor to request an appropriation from the State General Assembly in the event 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.*
>
> *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.*
>
> *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 State's prepaid tuition statute, if the Program is discontinued, Beneficiaries who are or will enroll at an eligible institution within five years 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, if any, up to the time the Program is discontinued. Illinois Compiled Statutes, Chapter 110, Section 979/35. In the event of Program termination, the Commission will endeavor to provide refunds to Purchasers to the greatest extent possible; however, the Commission is unable to guarantee Purchasers will receive a full refund.*
>
> *Federal or state legislative action could diminish or even terminate the Program's tax advantages. There is no assurance that a change will not adversely affect the Program or the value of your interest in the Program. The Commission is not obligated to continue to offer the Program in the event that changes in state or federal laws reduce the Benefits available to Purchasers and Beneficiaries.*

This Closed Group Run-Off scenario was specifically prescribed to us by ISAC. Based on the actuarial assumptions and methods described above, the CIPTP will require additional solvency contributions from the State of Illinois in order to pay all of the required tuition and refund payments under this scenario.

This report was prepared using our proprietary valuation model and related software and projection spreadsheet models which, in our professional judgment, have the capability to provide results that are consistent with the purposes of the valuation and have no material limitations or known weaknesses. We performed tests to ensure that the models reasonably represent that which is intended to be modeled. We are relying on the GRS actuaries and Internal Software, Training, and Processes Team who developed and maintain the proprietary valuation model.

This report reflects the impact of COVID-19 through June 30, 2021. However, this report does not reflect the longer term and still developing future impact of COVID-19, which is likely to further influence demographic experience and economic expectations. We will continue to monitor these developments and their impact.

Lance J. Weiss and Amy Williams are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions herein.

Lance J. Weiss and Amy Williams are independent of ISAC.

Respectfully submitted,

Gabriel, Roeder, Smith & Company

Lance J. Weiss | Amy Williams

Senior Consultant and Team Leader | Senior Consultant

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SECTION A

BACKGROUND

Background

Purpose of Projection

In accordance with the request of the Illinois Student Assistance Commission ("ISAC"), Gabriel, Roeder, Smith & Company ("GRS") has performed a projection of the College Illinois!® Prepaid Tuition Program ("Program" or "CIPTP") under a Closed Group Run-Off scenario. The purpose of this projection is to provide additional information to ISAC regarding the Program's projected funding status.

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 Actuarial Standards Board (ASB) recently adopted Actuarial Standards of Practice (ASOP) No. 51, *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*. ASOP No. 51 provides guidance to actuaries with regard to the assessment and disclosure of the risk that actual future measurements may differ significantly from expected future measurements when measuring obligations under a defined benefit pension plan and calculating actuarially determined contributions for such plans. The standard is effective for any actuarial work product with a measurement date on or after November 1, 2018. Future supplemental projection reports for CIPTP may contain additional risk metrics, projections or calculations in accordance with guidance from ASOP No. 51 due to the similar nature of prepaid tuition plans to pension plans.

Closed Group Run-Off Scenario

The College Illinois!® Prepaid Tuition Program stopped accepting new contracts as of the 2017/2018 enrollment period and is still not accepting new contracts. Program enrollment remains closed.

ISAC recently secured some state funding to start addressing the College Illinois!® Prepaid Tuition Program unfunded liability. There were two State appropriations from the State's General Revenue Fund – one for $30 million on behalf of fiscal year 2021 that is reflected in the assets as of June 30, 2021 and a second appropriation of $20 million for fiscal year 2022 that was received in the first quarter of fiscal year 2022. ISAC has informed us that they will continue to advocate for annual funding in future years until the full unfunded liability is addressed.

While the closing of the CIPTP has not occurred (although program enrollment is currently on hold), we have performed a projection of the College Illinois!® Prepaid Tuition Program ("Program" or "CIPTP") under a Closed Group Run-Off scenario assuming no new contract sales after June 30, 2021. Please note that this closed group scenario was specifically requested by ISAC and is being presented for illustrative purposes only.

Projection Assumptions

The projection results summarized in this supplemental report involve actuarial calculations that require assumptions about future events. 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.

For purposes of this analysis, we used the actuarial soundness valuation results from the June 30, 2021 Actuarial Soundness Valuation, and unless noted differently, the same actuarial assumptions and methods as used for the June 30, 2021 Actuarial Soundness Valuation.

SECTION B

PROJECTION RESULTS

Discussion of Scenario Results

Closed Group -- Run-Off Scenario; Zero New Contracts Sold Per Year

Under this illustrative closed group scenario, we have assumed that the program continues to operate but with no new contract sales. Under this scenario, future payments from current contract holders, current Trust assets and future investment income are projected to be insufficient by the year 2027 to make the required tuition payments and additional funds will be required to maintain solvency ($304.8 million for the period 2027 to 2056). The CIPTP funded status is projected to decrease from 70.6% in 2021 to 0.5% in 2027 (when additional solvency contributions are required) and then remain at about 0.0% for the remaining years in the projection period.

Under this scenario, the Trust assets are projected to be depleted in 2027. Therefore, we have incorporated a “select and ultimate” approach to the investment return assumption (and also the related discount rate for the liabilities). Under this “select and ultimate” approach to the investment return assumption, we have assumed that the net investment return and discount rate grade down from an initial rate of 5.25% for fiscal year 2022 to the ultimate rate of 3.00% in fiscal year 2027, in equal yearly increments of 0.450%.

SECTION C

PROJECTION TABLE

Closed Group Projections
Scenario 1 — Run-Off Scenario
Projection Based on Data as of June 30, 2021
Assumed Net Investment Return and Discount Rates Graded Down from 5.25% to 3.00% in 0.450% Yearly Increments
Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2021, Including Assumed Tuition and Fee Increase Assumption of 4.50%
Zero New Contracts Per Year

			Assets										Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Due from Other State Fund	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds and Fees	Administrative Expenses	Net Non-Investment Cash Flow	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
2021			$ 6,913,524	$ 30,000,000	$ -	$ 132,978,420	$ 3,997,358	$ (100,062,253)	$ 87,752,311	$ 559,303,255	$ 11,814,477	$ 571,117,732	$ 786,267,831	$ 23,131,164	$ 809,398,995	$ 238,281,263	70.6%
2022	5.250%	0	3,872,240	20,000,000	-	128,722,193	4,097,292	(108,947,245)	26,804,295	477,160,305	8,462,151	485,622,456	695,488,963	20,142,080	715,631,043	230,008,587	67.9%
2023	4.800%	0	2,819,758	-	-	123,238,634	4,199,724	(124,618,600)	19,947,902	372,489,607	5,981,695	378,471,302	602,710,738	16,809,564	619,520,301	241,048,999	61.1%
2024	4.350%	0	2,021,934	-	-	118,475,812	3,730,468	(120,184,346)	13,617,114	265,922,375	4,176,456	270,098,831	507,903,424	13,730,037	521,633,462	251,534,631	51.8%
2025	3.900%	0	1,386,595	-	-	113,528,369	3,222,251	(115,364,025)	8,142,890	158,701,240	2,925,962	161,627,202	411,990,660	10,981,025	422,971,685	261,344,483	38.2%
2026	3.450%	0	884,818	-	-	97,786,833	2,679,104	(99,581,118)	3,771,984	62,892,106	2,126,956	65,019,062	326,744,985	8,634,944	335,379,929	270,360,867	19.4%
2027	3.000%	0	738,386	-	14,275,050	76,664,068	2,177,885	(63,828,517)	936,410	-	1,441,385	1,441,385	258,741,804	6,683,680	265,425,484	263,984,099	0.5%
2028	3.000%	0	567,109	-	67,486,070	66,285,447	1,767,732	-	-	-	909,074	909,074	199,231,677	5,090,138	204,321,815	203,412,741	0.4%
2029	3.000%	0	382,891	-	54,433,934	53,421,639	1,395,186	-	-	-	547,754	547,754	150,991,584	3,826,883	154,818,468	154,270,714	0.4%
2030	3.000%	0	295,919	-	43,849,731	43,061,847	1,083,803	-	-	-	263,862	263,862	111,818,330	2,841,750	114,660,080	114,396,218	0.2%
2031	3.000%	0	178,690	-	31,084,800	30,440,803	822,687	-	-	-	90,427	90,427	84,278,839	2,092,067	86,370,906	86,280,479	0.1%
2032	3.000%	0	78,366	-	26,252,220	25,695,015	635,571	-	-	-	13,607	13,607	60,729,612	1,509,795	62,239,407	62,225,800	0.0%
2033	3.000%	0	5,533	-	18,730,752	18,266,856	469,429	-	-	-	8,400	8,400	44,012,666	1,078,671	45,091,337	45,082,937	0.0%
2034	3.000%	0	2,960	-	13,961,049	13,615,294	348,715	-	-	-	5,648	5,648	31,515,032	757,124	32,272,155	32,266,507	0.0%
2035	3.000%	0	2,930	-	10,469,423	10,216,415	255,938	-	-	-	2,844	2,844	22,091,954	520,089	22,612,042	22,609,198	0.0%
2036	3.000%	0	2,886	-	7,781,400	7,600,389	183,897	-	-	-	-	-	15,041,160	349,056	15,390,216	15,390,216	0.0%
2037	3.000%	0	-	-	5,494,744	5,366,409	128,335	-	-	-	-	-	10,046,084	229,282	10,275,366	10,275,366	0.0%
2038	3.000%	0	-	-	3,837,702	3,749,843	87,859	-	-	-	-	-	6,541,792	146,993	6,688,785	6,688,785	0.0%
2039	3.000%	0	-	-	2,672,551	2,613,909	58,642	-	-	-	-	-	4,085,217	91,888	4,177,105	4,177,105	0.0%
2040	3.000%	0	-	-	1,683,703	1,646,167	37,536	-	-	-	-	-	2,537,097	56,549	2,593,646	2,593,646	0.0%
2041	3.000%	0	-	-	1,045,242	1,021,348	23,894	-	-	-	-	-	1,576,655	33,996	1,610,650	1,610,650	0.0%
2042	3.000%	0	-	-	697,365	682,145	15,220	-	-	-	-	-	931,653	19,569	951,221	951,221	0.0%
2043	3.000%	0	-	-	431,063	421,844	9,219	-	-	-	-	-	531,477	10,800	542,277	542,277	0.0%
2044	3.000%	0	-	-	258,181	252,791	5,390	-	-	-	-	-	290,867	5,653	296,520	296,520	0.0%
2045	3.000%	0	-	-	147,184	144,160	3,024	-	-	-	-	-	153,287	2,754	156,041	156,041	0.0%
2046	3.000%	0	-	-	100,988	99,355	1,633	-	-	-	-	-	57,051	1,179	58,230	58,230	0.0%
2047	3.000%	0	-	-	30,464	29,841	623	-	-	-	-	-	28,477	582	29,059	29,059	0.0%
2048	3.000%	0	-	-	15,551	15,232	319	-	-	-	-	-	13,873	276	14,149	14,149	0.0%
2049	3.000%	0	-	-	8,055	7,896	159	-	-	-	-	-	6,275	123	6,398	6,398	0.0%
2050	3.000%	0	-	-	3,712	3,638	74	-	-	-	-	-	2,771	51	2,823	2,823	0.0%
2051	3.000%	0	-	-	1,758	1,725	33	-	-	-	-	-	1,104	19	1,123	1,123	0.0%
2052	3.000%	0	-	-	780	766	14	-	-	-	-	-	359	6	365	365	0.0%
2053	3.000%	0	-	-	295	290	5	-	-	-	-	-	76	1	77	77	0.0%
2054	3.000%	0	-	-	51	50	1	-	-	-	-	-	27	0	28	28	0.0%
2055	3.000%	0	-	-	21	21	0	-	-	-	-	-	7	0	7	7	0.0%
2056	3.000%	0	-	-	7	7	0	-	-	-	-	-	-	-	-	-	0.0%
2057	3.000%	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
2058	3.000%	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%

[a] *Additional contributions in the amount of $304,753,846 are needed over the years 2027 through 2056 to pay all benefits due.*

SECTION D

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Valuation Methods

Actuarial Value of Assets – The Actuarial Value of Assets is equal to the Market Value of Assets plus the present value of expected future contract payments from current contract holders.

Actuarial Valuation Assumptions

The rationale for the assumptions (except as indicated) may be found in the experience study report covering the period July 1, 2011 through June 30, 2014, which was issued on August 26, 2015. The assumptions were adopted for first use in the actuarial soundness valuation as of June 30, 2015.

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

Measurement Date

June 30, 2021

Net Investment Return Rate

The following select and ultimate rate structure, net of investment expenses and compounded annually, is assumed. Includes inflation assumption of 2.50%. (First effective with the actuarial soundness valuation as of June 30, 2021, and prescribed to us by ISAC.)

Net Investment Return Rate

Fiscal Year Ending 6/30	Net Investment Return Rate
2022	5.250%
2023	4.800%
2024	4.350%
2025	3.900%
2026	3.450%
2027+	3.000%

Considering the current asset allocation, current and future liquidity requirements and the fact that the program enrollment is on hold, we believe the current select and ultimate net investment rate of return assumption is reasonable, based on applicable Actuarial Standards of Practice.

Weighted Average Tuition and Fees (WATF) by Contract Type
Based on the Freshman Tuition Rates Adjusted for Differential Tuition (Blended)

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy†
2021-2022 Weighted Tuition	$4,281	$11,123	$14,074	$11,914
2021-2022 Weighted Fees	517	4,408	4,612	4,462
2021-2022 Total WATF	4,798	15,531	18,686	16,376

†Legacy contracts refer to contracts sold prior to October 2008. These contracts can be used for full tuition and fees at any public University in the State of Illinois, including 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.

Weighted Average Tuition and Fees (WATF) Increase from Prior Year

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy
2021-2022 Total WATF	$4,798	$15,531	$18,686	$16,376
2020-2021 Total WATF	4,599	15,431	18,714	16,319
WATF Increase	4.33%	0.65%	-0.15%	0.35%

Bias Load

"Legacy," Choice 1 and Choice 2 contract beneficiaries were assumed on average to attend more expensive schools than indicated by the headcount information that was used to determine the 2021-2022 WATF. The following bias loads were used to recognize this bias toward enrollment at more expensive schools. No bias load was applied to the "University Plus" beneficiaries due to the separation of UIUC.

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy
Bias Load	5.50%	2.50%	0.00%	4.00%

Tuition and Fee Increase Assumption

Tuition and Fee Increase Assumption - June 30, 2021, Actuarial Valuation				
Effective Date	Community College	University	University Plus	Legacy
6/30/2021 and Beyond	4.50%	4.50%	4.50%	4.50%

(First effective with the actuarial soundness valuation as of June 30, 2021, and prescribed to us by ISAC.)

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.

Truth in Tuition

Under Illinois' Truth-in-Tuition law, the state's 12 public colleges and universities are required to charge incoming resident freshmen a fixed tuition rate for the first four years of college. The Truth in Tuition law does not apply to community colleges.

For contract beneficiaries with a Choice 2, Choice 3 or Legacy contract, it was assumed that their tuition will not increase in their second, third and fourth year of school. If they attend school beyond four years, it was assumed that their tuition would increase to the amount charged the year after the year they first enrolled. For contract beneficiaries with a Choice 1 contract, it was assumed that tuition will increase for each year enrolled. The fee portion of the WATF is assumed to increase each year for all contract types.

The following table shows the WAT (excluding fees) for the past four years that would be used for contract beneficiaries under the Truth-in-Tuition law. (Choice 1 is shown for informational purposes only.)

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy
2021-2022 Weighted Tuition	$4,281	$11,123	$14,074	$11,914
2020-2021 Weighted Tuition	4,075	11,151	14,106	11,950
2019-2020 Weighted Tuition	4,012	11,025	13,885	11,687
2018-2019 Weighted Tuition	3,942	10,925	13,885	11,687
2017-2018 Weighted Tuition	3,862	10,675	13,884	11,525

Rates of Cancellation

These rates are used to measure the probability of eligible contract beneficiaries cancelling their contracts before and after projected college entrance date. The rates apply to contract beneficiaries who have not yet matriculated. Once the contract beneficiaries are assumed to have matriculated and started using benefits, the cancellation rates do not apply.

Years from Projected College Entrance Year	Cancellation Rate	Years from Projected College Entrance Year	Cancellation Rate
-17	8.0%	-3	1.0%
-16	7.0%	-2	1.0%
-15	6.0%	-1	1.5%
-14	4.0%	0	1.5%
-13	4.0%	1	3.0%
-12	3.0%	2	3.0%
-11	3.0%	3	5.0%
-10	3.0%	4	5.0%
-9	2.0%	5	7.5%
-8	1.5%	6	7.5%
-7	1.5%	7	5.0%
-6	1.5%	8	5.0%
-5	1.5%	9	5.0%
-4	1.0%	10	100.0%

In the event of a cancellation, it was assumed that a refund will be paid equal to the amount of all contract payments made accumulated with applicable interest, less benefits paid. (Two percent annual interest is applicable to contracts purchased prior to the 2013/2014 enrollment period. No interest is applicable to contracts purchased during or after the 2013/2014 enrollment period.)

Rates of Enrollment

These rates are used to measure the probability of eligible contract beneficiaries matriculating at and beyond their projected college entrance date. The rates apply to contract beneficiaries who have not yet matriculated.

Years from Projected College Entrance Year	Matriculation Rate
0	70%
1	35%
2	40%
3	30%
4	20%
5	15%
6	15%
7	10%
8	10%
9	10%
10	0%

Utilization of Benefits

The following rates apply to contract beneficiaries who (1) have not yet matriculated and (2) those who have matriculated, but have used fewer than 10 credits within the past year. For those who have matriculated, the projected college entrance year is assumed to be the valuation year. Contract beneficiaries are assumed to use the benefits as described by the CIPTP Master Agreement.

Distribution of Benefit Utilization									
Number of Years	Number of Semesters Purchased								
Since Matriculation	1	2	3	4	5	6	7	8	9
1	73%	73%	49%	37%	29%	24%	21%	18%	16%
2	20%	20%	28%	35%	26%	24%	21%	18%	16%
3	7%	7%	14%	17%	19%	22%	21%	18%	16%
4			5%	6%	13%	15%	21%	18%	16%
5			5%	6%	7%	9%	8%	13%	16%
6					3%	4%	3%	6%	8%
7					2%	2%	2%	4%	6%
8							1%	2%	4%
9							1%	2%	1%

For contract beneficiaries who have matriculated and have used 10 or more credits within the past year, it is assumed that the contract beneficiaries will utilize 22 credits per year until benefits are fully depleted.

Administrative Expenses

Administrative expenses of the Program are assumed to be paid through a combination of investment earnings and fees assessed on purchasers. Marketing expenses were excluded from the liabilities (present value of future administrative expenses) for current contract beneficiaries as it is assumed those costs should be applicable to future contracts. Administrative expenses are projected to increase by the rate of the inflation assumption of 2.50% for two years and then decline at the same rate the present value of benefits declines (combined with a 2.50% increase for inflation). The present value of future administrative expenses was determined to be equal to approximately 2.9% of the total liabilities.

Effective with the actuarial soundness valuation as of June 30, 2018, total administrative expenses were assumed to be all non-marketing related due to the ongoing deferment in open enrollment. The amount of administrative expenses assumed to be non-marketing related is the basis for the present value of future administrative expenses for current contract beneficiaries.

	Assumed Current Contract Beneficiary Expenses			
Fiscal Year	Marketing	Other Administration	Total Administrative Expenses	Marketing % of Total
2021	$0	$3,997,358	$3,997,358	0.00%
2022	0	4,097,292	4,097,292	0.00%
2023	0	4,199,724	4,199,724	0.00%

Mortality and Disability

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

Liability Adjustment

The liabilities for contract beneficiaries assumed to use tuition benefits were adjusted to account for the provision that benefits shall never be less than the amount paid for the contract.

Data Adjustments

The following contract beneficiary records were excluded from the actuarial valuation:

- Records with a payment status indicating they were cancelled;
- Records with a contract usage status of depleted; and
- Records with less than one contract unit remaining (the number of contract units purchased minus the number of contract units used is less than one).

The projected college entrance year was adjusted for contract beneficiaries who are not scheduled to have completed payments for the contract by the college entrance year provided in the data.

The account balance that is eligible to be refunded is calculated by GRS based on the contract payment information provided, increased with applicable interest, less any tuition and fee benefits paid to date. Two percent annual interest is applicable to contracts purchased prior to the 2013/2014 enrollment period. No interest is applicable to contracts purchased during or after the 2013/2014 enrollment period.

SECTION E

PLAN PROVISIONS

Plan Provisions

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

A. Type of Contract

Three types of contracts are available for purchase: Choice 1 - Community College, Choice 2 – University and Choice 3 – University Plus. (For contracts sold prior to October 2008, there was one type of University contract, which are currently referred to as Legacy contacts.)

From the College Illinois! Prepaid Tuition Program Student Handbook:

Choice 1 Community College Plan
Provides in-district tuition and mandatory fees for each semester (15 credit hours) purchased at an Illinois Community College.

Choice 2 University Plan
Provides undergraduate in-state tuition and mandatory fee coverage for each semester (15 credit hours) purchased at any of the following eligible institutions: Chicago State University, Eastern Illinois University, Governors State University, Illinois State University, Northeastern Illinois University, Northern Illinois University, Southern Illinois University Carbondale, Southern Illinois University Edwardsville, University of Illinois Chicago, University of Illinois Springfield, Western Illinois University.

Choice 3 University Plus Plan
Provides undergraduate in-state tuition and mandatory fee coverage for each semester (15 credit hours) purchased at the University of Illinois Urbana Champaign.

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.

The benefit shall never be less than the amount paid for the contract.

Benefits are available for use three years after the first payment due date. The plan must be paid in full prior to the use of any benefits. In addition, the beneficiary has up to 10 years from the projected college enrollment date to start using program benefits. Once the beneficiary starts using the prepaid benefits, they have 10 years to finish using benefits.

C. Member Contributions

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

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

D. Private or Out-of-State Institutions

For beneficiaries attending a 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.

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 (Transfer)

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.

G. Cancellation/Refunds	Refund equal to all contract payments made accumulated with applicable interest, less benefits paid and applicable cancellation fees. (Two percent annual interest is applicable to contracts purchased prior to the 2013/2014 enrollment period. No interest is applicable to contracts purchased during or after the 2013/2014 enrollment period.)
H. Death/Disability of Qualified Beneficiary	Refund equal to the value of the mean-weighted average cost of tuition at the colleges for the type of contract purchased will be made to the purchaser.
I. Other Ancillary Benefits	There are no ancillary benefits.
J. Truth in Tuition	Under Illinois' Truth-in-Tuition law, enacted with the fall 2004 semester, the state's 12 public colleges and universities are required to charge incoming resident freshmen a fixed tuition rate for the first four years of college.
K. Changes from Previous Valuation	None.