

**Illinois
Student
Assistance
Commission**



February 28, 2022

The Honorable JB Pritzker, Governor of the State of Illinois
The Honorable Don Harmon, President of the Illinois Senate
The Honorable Emanuel "Chris" Welch, Speaker of the Illinois House of Representatives
The Honorable Dan McConchie, Illinois Senate Republican Leader
The Honorable Jim Durkin, Illinois House Republican Leader
The Honorable Frank Mautino, Auditor General of the State of Illinois
Members of the Illinois Board of Higher Education

The Illinois Student Assistance Commission (ISAC) is enclosing the Fiscal Year 2021 Annual Report for the College Illinois!® 529 Prepaid Tuition Program, required by the Illinois Prepaid Tuition Act 110 ILCS 979/30(d) to be submitted by March 1, 2022. In addition to this letter is a summary of the Program and Utilization of Benefits for Fiscal Year 2021. We will update the Annual Report when the audited statements for the Program have been released by the Illinois Office of the Auditor General along with the Actuarial Soundness Valuation report.

Revenues from all contract sales are deposited into the Illinois Prepaid Tuition Trust Fund and are invested to fund current and future program obligations. By law, assets held by the Fund are required to remain segregated from state General Fund accounts. No amounts held in the Fund may be transferred to or allocated by the Commission, the State Treasurer, or the State Comptroller to any other fund, nor can the Governor authorize any transfer or allocation while contracts remain outstanding.

According to state law, "If the Commission determines that there are insufficient moneys in the Illinois Prepaid Tuition Trust Fund to pay contractual obligations in the next succeeding fiscal year, the Commission shall certify the amount necessary to meet these obligations to the Board of Higher Education, the Governor, the President of the Senate, and the Speaker of the House of Representatives. The Governor shall submit the amount so certified to the General Assembly as soon as practicable, but no later than the end of the current State fiscal year." While no assurances can be made that sufficient moneys will be appropriated to meet the program's contractual obligations if the plan were ever to run short of funds at some future date, we understand that moral obligations of the State of Illinois have historically been honored.

As certified to the Governor on January 25, 2022, the College Illinois! 529 Prepaid Tuition Program will not require any state financial support to meet its contractual obligations during Fiscal Year 2023. However, as discussed below, actuarial projections indicate that State funding will be required in the near future to fulfill the state's moral obligation to the Program. Indeed, based on projections by the Program's independent actuaries as of June 30, 2021, the Program is expected to need state support beginning in FY2027 in order to honor all tuition and fee payments to Program beneficiaries.

Actuarial Soundness Valuation Report and Addressing the Unfunded Liability

Although state financial support will not be required to pay contractual obligations next year, current actuarial projections indicate that state support will be required beginning in Fiscal Year 2027. The actuarial soundness valuation as of June 30, 2021, performed by independent actuaries, indicates that there is an unfunded liability with a present value of approximately \$238 million. Actuarial projections for a runoff scenario with no future contract sales indicate that the Program would require cumulative state funding of over \$305 million beginning in Fiscal Year 2027, with single-year funding requirements peaking above \$67 million in Fiscal Year 2028. It is estimated that if the state continues to amortize the unfunded liability (assuming no new contract sales), annual payments of approximately \$30 million would be required for the next ten to thirteen years. Actuarial reports are available at <http://www.collegeillinois.org/AboutCollegeIllinois/529Financials.html>.

Program enrollment has been closed since the 2017-18 enrollment year and remains closed.

ISAC has continued to advocate for annual state payments to the Illinois Prepaid Tuition Trust Fund to address the unfunded liability now, before it becomes immediately necessary to call upon the moral obligation of the State of Illinois. Thanks to Governor Pritzker's support and that of the General Assembly, ISAC has received the first two of a proposed series of payments: the state transferred \$30 million to the Illinois Prepaid Tuition Trust Fund for FY2021, as well as another \$20 million for FY2022. The initial payments not only had a positive impact on the Program's funded status; they are a critical step to protecting the Program's contract holders and beneficiaries. We appreciate your support of efforts thus far to address the College Illinois! unfunded liability.

The Governor's budget request also includes an **FY 2022 supplemental appropriation of \$230 million**, which would essentially eliminate the Program's unfunded liability based on the projections made by the program's independent actuaries as of June 30, 2021. If the General Assembly approves this one-time investment, the state would immediately allay the concerns of the nearly 25,000 contract holders who have faced uncertainty about the state's ability to meet its fiscal obligations. Moreover, the payment will save the state approximately \$75 million by avoiding future payments on the unfunded liabilities.

If the Governor's recommended supplemental of \$230 million within FY 2022 is **not** approved, the Commission would request a return to the prior schedule; the Commission would request an appropriation of \$30 million in FY 2023 and, presumably, for ten to thirteen years into the future to ensure that the program is able to fulfill all commitments to beneficiaries.

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

Investment Performance

The College Illinois! 529 Prepaid Tuition Program is administered by the Illinois Student Assistance Commission, with advice and counsel from the Investment Advisory Panel, which includes members recommended by the Treasurer, Comptroller, GOMB and IBHE, as stipulated in the Prepaid Tuition Act. Additional advice and monitoring are provided by the Investment Committee (a subcommittee of the Commission) and professional investment consultant, Callan Associates. Program moneys are held in the separate Illinois Prepaid Tuition Trust Fund (the Fund) and prudently invested with the objective of obtaining the best possible return on investments consistent with the actuarial soundness of the program. Fund assets

are invested in accordance with a formal Investment Policy, which is adopted annually by the Commission. The investment program is implemented by internal investment staff, with all investments professionally managed by external investment management firms.

Based on consultant reports, the net-of-fees returns for the Fund were 17.15% for the fiscal year ended June 30, 2021, 7.22% for the trailing 3-year period, and 6.64% for the trailing 5-year period. The longer-term performance is closer to our 5.25% actuarial assumption. Long-term performance is generally in line with expectations for the asset allocation, although private market portfolio returns have been below par. The risk profile for the asset allocation projects a standard deviation of 10.00%. This profile corresponds to a 31% probability of negative returns in a given year and a 7% probability of losses exceeding 10%. Actual standard deviation was 4.81% for the five years ending 6/30/20 and 4.79% for the trailing ten-year period. Liquidity is sound with 86% of assets available within one year.

The following table provides a summary of investment performance. Additional detail is provided in the appendix.

Investment Returns and Peer Group* Rankings

Periods Ending	1 year		3 years		5 years	
	Return	% Rank	Return	% Rank	Return	% Rank
June 30, 2021						
College Illinois gross**	17.33%	96%	7.37%	97%	6.78%	98%
College Illinois net**	17.15%	NA**	7.22%	NA**	6.64%	NA**
Policy Benchmark	17.36%	96%	9.30%	93%	8.86%	94%
Public Fund Peer Group Median	25.78%	50%	10.95%	50%	10.67%	50%

Source: Program Investment Consultant, Callan Associates

*Public peer group represents public funds in the Consultant database, including pensions plans.

**College Illinois performance shown as gross and net of separate account investment management fees and net of all other investment fees. Gross performance is the relevant comparable for the Public Fund Peer Group.

Conclusion

As of June 30, 2021, the College Illinois! 529 Prepaid Tuition Program had actuarial assets around \$570 million and approximately 25,000 active accounts. As we continue to work with policymakers to address the Program’s unfunded liability, we serve our current contract holders with no change in benefit payments, customer service, or plan administration.

If you have questions or would like to discuss the report, we are available to meet with you or your staff member or designees.

Sincerely,

Eric Zarnikow

Eric Zarnikow
 Executive Director
 Illinois Student Assistance Commission

Commissioners of the Illinois Student Assistance Commission*

Maureen Amos
Darryl Arrington
Niketa Brar
Jonathon Bullock
Thomas Dowling
James Hibbert
Kevin B. Huber
Emma Johns
Elizabeth Lopez
Franciene Sabens

College Illinois!® Investment Advisory Panel*

Jeanna Cullins
Rodrigo Garcia
James Hibbert
Karen Kissel
Cameron Mock
Louis Paster
Chase Rehwinkel

*as of June 30, 2021

PROGRAM OVERVIEW

The College Illinois!® 529 Prepaid Tuition Program is administered by the Illinois Student Assistance Commission, the state agency working to help make college accessible and affordable for Illinois students since 1957. As a qualified tuition program under Section 529 of the Internal Revenue Code, College Illinois! was designed to provide individuals with an opportunity to lock in contract rates for future tuition and mandatory fees, protecting against tuition inflation. The Program was enacted by the General Assembly and then signed into law by the Governor in November 1997.

Program enrollment has been closed since the 2017-18 enrollment year and remains closed.

The College Illinois! 529 Prepaid Tuition Program offered plans for public university semesters, community college semesters and a combined plan that included two years at a community college and two years at a public university. Planholders purchased one semester at a time or up to a maximum of nine semesters for any one future student. The value of plan benefits may also be used at private colleges within Illinois and at public universities and private colleges and universities across the country as well.

The plan must be in place for three years and paid in full before the student can use it. Beneficiaries of a plan do not have to choose the school they will attend until time of college enrollment. College Illinois! 529 Prepaid Tuition Program benefits cover undergraduate tuition and mandatory fees, but do not cover other expenses such as room and board, books and transportation.

Benefits provided by the College Illinois! 529 Prepaid Tuition Program are entirely exempt from both federal and state income tax, when used for qualified educational expenses. In addition, annual contributions up to a maximum of \$10,000 per individual or \$20,000 per couple are deductible from Illinois taxable income.

The College Illinois! 529 Prepaid Tuition Program was intended to protect purchasers against tuition and fee increases that have historically averaged about 6.5 percent per year over the past 20 years at public universities in Illinois. Since its inception in 1998, more than 51,000 students have gone to college using College Illinois! benefits, and the Program has paid out more than \$1.4 billion in plan benefits.

Appendix A

ISAC Asset Class Performance and Peer Rankings* for periods ending on June 30, 2021

	one year		three years		five years	
	Return	Rank	Return	Rank	Return	Rank
ISAC- Domestic Equity	44.00%	70	19.00%	47	17.95%	45
Russell 3000 index	44.16%	66	18.73%	47	17.89%	45
Median asset class returns	47.48%	50	17.76%	50	17.14%	50
ISAC- International Equity	36.70%	50	8.52%	63	9.04%	84
Spliced Non-US Equity Benchmark	37.18%	47	9.43%	55	11.11%	57
Median asset class returns	36.81%	50	9.83%	50	11.81%	50
ISAC- Fixed Income	1.37%	36	5.33%	93	3.34%	87
Barclays US Aggregate Index	-0.33%	94	5.34%	93	3.03%	95
Median asset class returns	1.13%	50	6.04%	50	3.69%	50
ISAC- High Yield	22.67%	1	5.28%	98	7.22%	23
MLHY	15.60%	40	7.12%	39	7.28%	20
Median asset class returns	15.16%	50	6.79%	50	6.89%	50
ISAC- Real Estate	3.69%	95	3.61%	89	4.47%	97
Median asset class returns	7.35%	50	5.59%	50	6.57%	50
ISAC- REIT	37.66%	44	13.81%	32	9.22%	30
MSCI REIT Index	38.05%	40	10.14%	82	6.32%	85
Median asset class returns	36.78%	50	12.62%	50	8.10%	50
ISAC- Infrastructure	-4.17%	100	-11.32%	100	-7.09%	100
Median asset class returns	7.35%	50	5.59%	50	6.57%	50
ISAC- Absolute Return	11.19%	85	3.68%	87	4.02%	86
Median asset class returns	18.07%	50	6.00%	50	6.52%	50
ISAC- Private Equity	18.60%	50	2.39%	69	1.16%	76
Median asset class returns	18.76%	50	4.17%	50	3.44%	50
College Illinois gross**	17.33%	96	7.37%	97	6.78%	98
College Illinois net**	17.15%	NA**	7.22%	NA**	6.64%	NA**
Policy Benchmark	17.36%	96	9.30%	93	8.86%	94
Public Fund Peer Group	25.78%	50	10.95%	50	10.67%	50

Source: Program Investment Consultant, Callan Associates

*Public peer group represents public funds in the Consultant database, including pensions plans.

**College Illinois performance shown as gross and net of separate account investment management fees and net of all other investment fees. Gross performance is the relevant comparable for the Public Fund Peer Group.

Appendix - C
Utilization of Benefits
Fiscal Year 2021

Illinois Public 4-Year Institutions	Amount Paid	Number of Students *	% of Amount Paid	% of Students
University of Illinois Urbana	\$23,416,110	1,556	58.8%	50.0%
Illinois State University	\$7,198,397	614	18.1%	19.7%
University of Illinois Chicago	\$4,255,401	346	10.7%	11.1%
Northern Illinois University	\$1,556,486	185	3.9%	5.9%
Southern Illinois University Carbondale	\$1,030,522	108	2.6%	3.5%
Southern Illinois University Edwardsville	\$886,537	104	2.2%	3.3%
Western Illinois University	\$416,469	56	1.0%	1.8%
Eastern Illinois University	\$360,419	50	0.9%	1.6%
University of Illinois Springfield	\$313,565	42	0.8%	1.3%
Northeastern Illinois University	\$303,388	41	0.8%	1.3%
Governors State University	\$72,066	13	0.2%	0.4%
Chicago State University	\$0	0	0%	0.0%
	\$39,809,360	3,115		

*Students (beneficiaries) are counted more than once if they attended more than one school.

Top 10 Illinois Community Colleges	Amount Paid	Number of Students *	% of Amount Paid to Top 10	% of Students of Top 10
College of DuPage	\$199,058	113	16.1%	21.6%
Joliet Junior College	\$182,232	70	14.8%	13.4%
Lincoln Land Community College	\$176,968	53	14.3%	10.1%
Parkland College	\$134,295	36	10.9%	6.9%
Harper College	\$120,599	59	9.8%	11.3%
College of Lake County	\$117,242	61	9.5%	11.7%
Moraine Valley Community County	\$91,929	35	7.4%	6.7%
Oakton Community College	\$82,500	42	6.7%	8.0%
Heartland Community College	\$72,523	30	5.9%	5.7%
McHenry Community College	\$57,703	24	4.7%	4.6%
	\$1,235,049	523		

*Students (beneficiaries) are counted more than once if they attended more than one school.

Appendix - C
Utilization of Benefits
Fiscal Year 2021

Top 10 Illinois Private Institutions	Amount Paid	Number of Students *	% of Amount Paid to Top 10	% of Students of Top 10
Loyola University Chicago	\$2,433,517	165	24.1%	23.1%
DePaul University	\$2,097,953	152	20.8%	21.3%
Bradley University	\$1,362,904	98	13.5%	13.7%
Northwestern University Evanston	\$818,418	51	8.1%	7.1%
Illinois Wesleyan University	\$697,555	44	6.9%	6.2%
Augustana College	\$630,844	45	6.2%	6.3%
North Central College	\$607,251	45	6.0%	6.3%
Columbia College Chicago	\$550,958	42	5.5%	5.9%
Lewis University	\$547,406	44	5.4%	6.2%
Elmhurst College	\$357,570	28	3.5%	3.9%
	\$10,104,376	714		

*Students (beneficiaries) are counted more than once if they attended more than one school.

Top 10 Out-of-State Institutions	Amount Paid	Number of Students *	% of Amount Paid to Top 10	% of Students of Top 10
University of Iowa	\$3,005,183	215	17.5%	17.8%
Indiana University Bloomington	\$2,913,924	198	17.0%	16.4%
Iowa State University	\$1,909,397	136	11.1%	11.2%
Purdue University	\$1,883,028	136	11.0%	11.2%
Marquette University	\$1,563,232	99	9.1%	8.2%
University of Wisconsin Madison	\$1,406,175	107	8.2%	8.8%
University of Missouri Columbia	\$1,398,883	119	8.2%	9.8%
Saint Louis University	\$1,156,722	77	6.8%	6.4%
University of Michigan	\$954,776	63	5.6%	5.2%
Miami University	\$933,736	61	5.5%	5.0%
	\$17,125,056	1,211		

*Students (beneficiaries) are counted more than once if they attended more than one school.

Appendix - C
Utilization of Benefits
 Fiscal Years 1998 through 2021

Illinois Public 4-Year Institutions	Amount Paid	Number of Students *	% of Amount Paid	% of Students
University of Illinois Urbana	\$361,225,367	8,352	56.6%	41.6%
Illinois State University	\$103,534,437	3,888	16.2%	19.4%
University of Illinois Chicago	\$58,229,791	2,026	9.1%	10.1%
Northern Illinois University	\$37,634,322	1,691	5.9%	8.4%
Southern Illinois University Carbondale	\$24,170,329	1,114	3.8%	5.6%
Eastern Illinois University	\$15,786,951	800	2.5%	4.0%
Western Illinois University	\$14,361,960	741	2.2%	3.7%
Southern Illinois University Edwardsville	\$13,839,468	750	2.2%	3.7%
University of Illinois Springfield	\$4,478,574	295	0.7%	1.5%
Northeastern Illinois University	\$3,991,882	285	0.6%	1.4%
Governors State University	\$1,042,215	103	0.2%	0.5%
Chicago State University	\$267,926	22	0.0%	0.1%
	\$638,563,222	20,067		

*Students (beneficiaries) are counted more than once if they attended more than one school.

Top 10 Illinois Community Colleges	Amount Paid	Number of Students *	% of Amount Paid to Top 10	% of Students of Top 10
College of DuPage	\$4,735,462	1,011	22.6%	21.7%
Harper College	\$2,581,042	567	12.3%	12.2%
Parkland College	\$2,319,334	490	11.1%	10.5%
Lincoln Land Community College	\$2,141,755	461	10.2%	9.9%
Joliet Junior College	\$2,122,088	481	10.1%	10.3%
Moraine Valley Community College	\$2,104,189	405	10.1%	8.7%
College of Lake County	\$1,505,825	384	7.2%	8.2%
Illinois Central College	\$1,234,012	281	5.9%	6.0%
Oakton Community College	\$1,111,567	308	5.3%	6.6%
Heartland Community College	\$1,069,707	272	5.1%	5.8%
	\$20,924,981	4,660		

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Appendix - C
Utilization of Benefits
 Fiscal Years 1998 through 2021

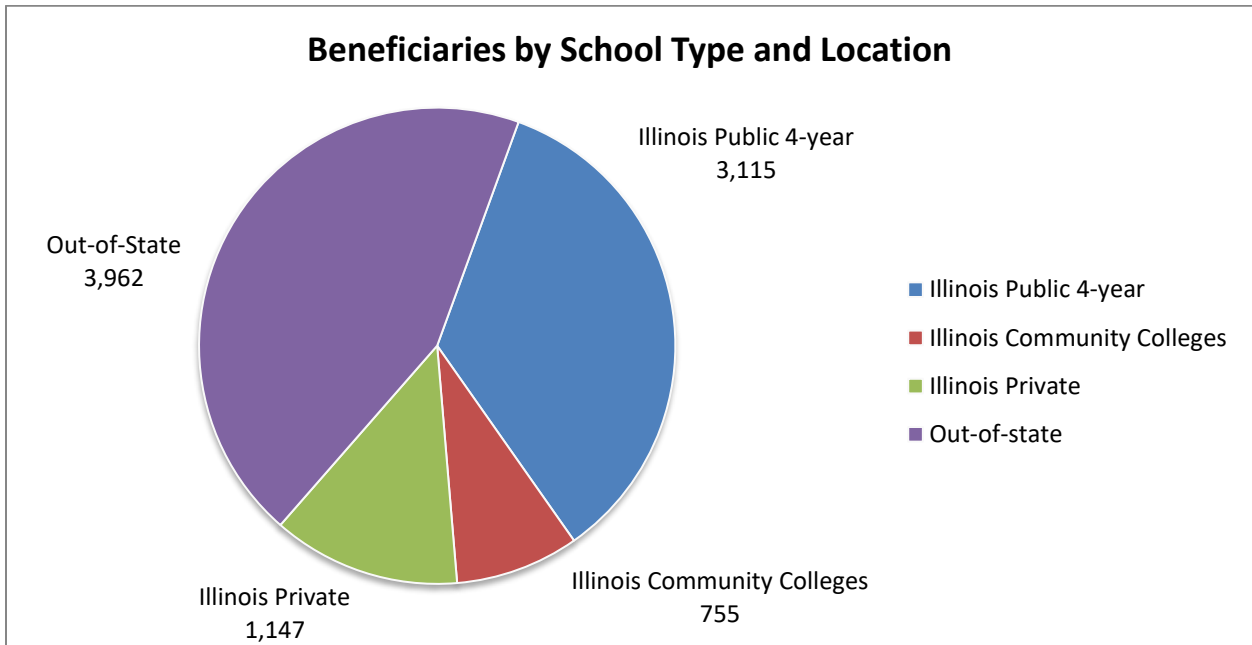
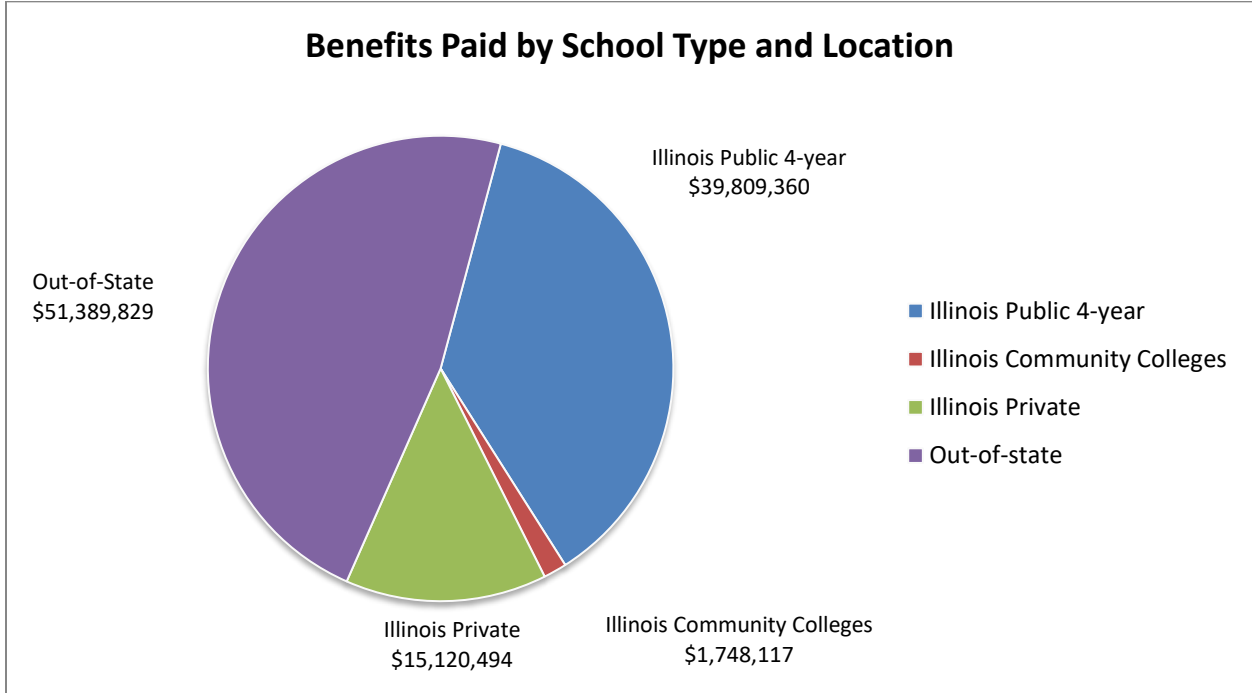
Top 10 Illinois Private Institutions	Amount Paid	Number of Students *	% of Amount Paid to Top 10	% of Students of Top 10
DePaul University	\$30,071,771	978	21.7%	21.8%
Loyola University Chicago	\$23,063,216	726	16.7%	16.2%
Bradley University	\$18,723,224	594	13.5%	13.2%
Columbia College Chicago	\$11,924,255	461	8.6%	10.3%
Northwestern University Evanston	\$11,582,513	297	8.4%	6.6%
Illinois Wesleyan University	\$11,416,344	345	8.2%	7.7%
Augustana College	\$10,701,882	328	7.7%	7.3%
North Central College	\$9,049,769	305	6.5%	6.8%
Lewis University	\$6,936,359	268	5.0%	6.0%
Millikin University	\$4,994,174	182	3.6%	4.1%
	\$138,463,507	4,484		

*Students (beneficiaries) are counted more than once if they attended more than one school.

Top 10 Out-of-State Institutions	Amount Paid	Number of Students *	% of Amount Paid to Top 10	% of Students of Top 10
University of Iowa	\$36,345,157	1,115	49.0%	20.0%
Indiana University Bloomington	\$32,864,850	911	17.2%	16.4%
Purdue University	\$20,072,974	596	10.5%	10.7%
Marquette University	\$17,955,552	497	9.4%	8.9%
University of Missouri Columbia	\$17,671,074	586	9.2%	10.5%
Iowa State University	\$16,764,898	497	8.8%	8.9%
University of Wisconsin Madison	\$16,119,873	454	8.4%	8.2%
Saint Louis University	\$14,722,078	409	7.7%	7.3%
Miami University	\$9,626,455	259	5.0%	4.7%
University of Minnesota Twin Cities	\$8,913,136	245	4.7%	4.4%
	\$191,057,047	5,569		

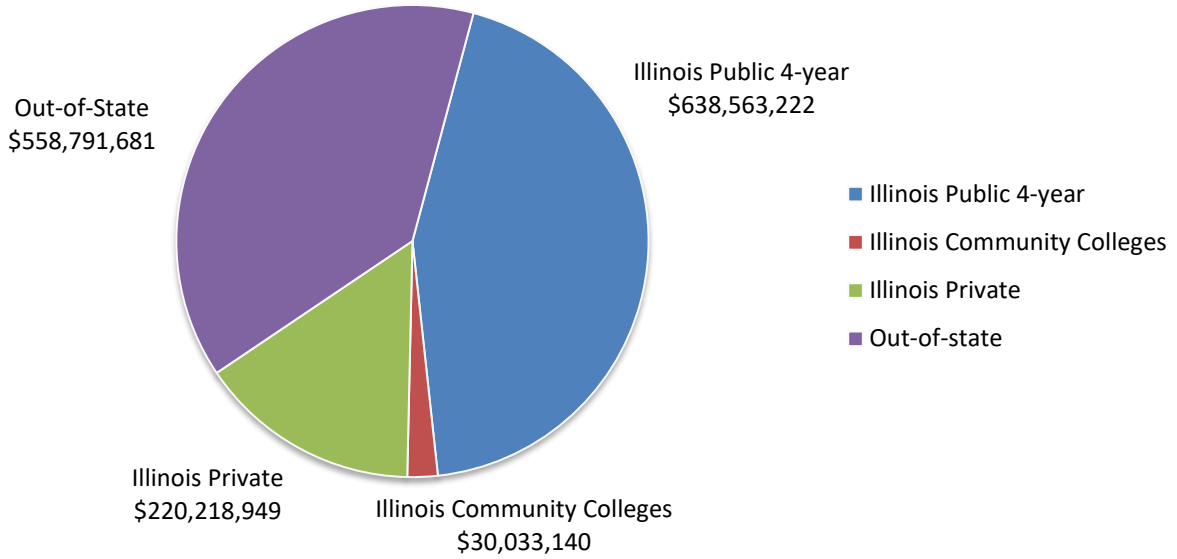
*Students (beneficiaries) are counted more than once if they attended more than one school.

Appendix - D
Utilization of Benefits by Location
Fiscal Year 2021



Appendix - D
Utilization of Benefits by Location
Fiscal Years 1998 through 2021

Benefits Paid by School Type and Location



Beneficiaries by School Type and Location

