STATE OF ILLINOIS
ILLINOIS STUDENT
ASSISTANCE COMMISSION

FINANCIAL AUDIT
June 30, 2018

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION

FINANCIAL AUDIT
June 30, 2018

CONTENTS

CONTENTS (Continued)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
AGENCY OFFICIALS

Executive Director	Eric Zarnikow
Chief Financial Officer	Shoba Nandhan
Chief Investment Officer (September 24, 2018 to present)	Carmen Heredia-Lopez
Chief Investment Officer (June 27, 2018 to September 23, 2018)	Vacant
Chief Investment Officer (through June 26, 2018)	Kent Custer
General Counsel	Karen Salas

Agency offices are located at:

1755 Lake Cook Road
Deerfield, IL 60015-5209

500 West Monroe
Springfield, IL 62704

100 West Randolph
Suite 3-200
Chicago, IL 60601

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Illinois Student Assistance Commission (Commission) was performed by Crowe LLP.

Based on their audit, the auditors expressed an unmodified opinion on the Commission's basic financial statements.

SUMMARY OF FINDINGS

The auditors identified an instance of noncompliance and other matters. The instance of noncompliance and other matters is described in the accompanying Schedule of Findings on page 160, as finding 2018-001 (Debt Covenant Violation).

EXIT CONFERENCE

In correspondence received from Wendy Funk, Director of Accounting and Finance, on December 21, 2018, the Commission elected to waive a formal exit conference. The response to the recommendation was provided by Wendy Funk, Director of Accounting and Finance, in correspondence dated December 21, 2018.

Crowe

Crowe LLP
Independent Member Crowe Global

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois, and

Mr. Kevin B. Huber
Chair of the Governing Board
Illinois Student Assistance Commission

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Student Assistance Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2, the financial statements of the State of Illinois, Illinois Student Assistance Commission are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the State of Illinois, Illinois Student Assistance Commission. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2018, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 and 13, the State of Illinois, Illinois Student Assistance Commission adopted GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in its financial statements as of fiscal year ending June 30, 2018. GASB Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identified the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about defined benefit OPEB also are addressed. As a result, net position was restated (*in thousands)* as of July 1, 2017 for governmental activities by $(29,055), business-type activities by ($51,397), the Illinois Designated Account Purchase Program Fund by ($2,576) and Nonmajor Enterprise Funds by ($48,821), for the cumulative effect of the application of this pronouncement.

As discussed in Note 13, the Illinois Prepaid Tuition Program Fund has a net position deficit as of June 30, 2018 of $280 million. The amount of the net position deficit is highly dependent on the actuarial assumptions used to calculate the actuarial present value of future tuition benefit obligations.

Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis, pension and OPEB related information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Illinois Student Assistance Commission's basic financial statements. The accompanying supplementary and other information, consisting of combining and individual fund financial statements and schedules, as well as the actuarial soundness valuation reports, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information related to the actuarial soundness reports have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2019, on our consideration of the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, the Commission Board and Audit Committee, and Commission management and is not intended to be, and should not be, used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Crowe, LLP

Oak Brook, Illinois
April 26, 2019

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
June 30, 2018
(Dollars in thousands)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Unrestricted			
Unexpended appropriations	$ 1,539	$ -	$ 1,539
Cash and cash equivalents	301	133,747	134,048
Investments	-	154,561	154,561
Receivables			
Contracts	-	10,170	10,170
Intergovernmental	-	22,097	22,097
Recoverable taxes	-	51	51
Accrued interest on investments	-	163	163
Other	115	-	115
Securities lending collateral	-	40,094	40,094
Due from other State funds	-	151	151
Due from State of Illinois component units	5	-	5
Due from other ISAC funds	-	2,236	2,236
Total current assets, unrestricted	1,960	363,270	365,230
Restricted			
Cash and cash equivalents	-	12,053	12,053
Receivables			
Student loans, net	-	42,515	42,515
Accrued interest on loans	-	17,820	17,820
Other	-	17	17
Total current assets, restricted	-	72,405	72,405
Non-current			
Unrestricted			
Investments	-	648,177	648,177
Contracts receivable	-	22,864	22,864
Notes receivable	5,322	-	5,322
Capital assets being depreciated, net	9,614	1,843	11,457
Total non-current assets, unrestricted	14,936	672,884	687,820
Restricted			
Student loans receivable, net	-	261,164	261,164
Total non-current, restricted	-	261,164	261,164
Total assets	16,896	1,369,723	1,386,619
Deferred outflows of resources			
Pension related amounts	18,390	25,767	44,157
OPEB related amounts	524	4,518	5,042
Total deferred inflows of resources	18,914	30,285	49,199

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
June 30, 2018
(Dollars in thousands)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current			
Accounts payable and accrued liabilities	$ 1,516	$ 9,765	$ 11,281
Accrued interest payable	-	1,202	1,202
Federal special allowance and interest subsidy	-	18	18
Due to other State funds	5	158	163
Due to other ISAC funds	-	2,236	2,236
Due to State of Illinois component units	243	519	762
Unearned revenue	4	-	4
Securities lending collateral obligation	-	40,094	40,094
Intergovernmental payable	-	6,138	6,138
Compensated absences	16	210	226
Tuition obligation	-	150,056	150,056
Line of credit	-	113,657	113,657
Total current liabilities	1,784	324,053	325,837
Non-current			
Revenue bonds and notes payable, net	-	161,391	161,391
Net pension liability	20,684	76,574	97,258
Net OPEB liability	14,496	53,184	67,680
Compensated absences	142	1,574	1,716
Tuition obligation	-	975,229	975,229
Total non-current liabilities	35,322	1,267,952	1,303,274
Total liabilities	37,106	1,592,005	1,629,111
Deferred inflows of resources			
Unamortized deferred amount on refunding	-	33,014	33,014
Pension related amounts	20,075	21,430	41,505
OPEB related amounts	13,113	5,973	19,086
Total deferred inflows of resources	33,188	60,417	93,605
Net position			
Investment in capital assets	9,614	1,843	11,457
Restricted for debt service	-	24,288	24,288
Restricted for federal programs	3	46,331	46,334
Unrestricted	(44,101)	(324,876)	(368,977)
Total net position	$ (34,484)	$ (252,414)	$ (286,898)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018
(Dollars in thousands)

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental activities			
Education			
Scholarships, awards and grants	$ 766,510	$ -	$ 1,476
Total governmental activities	766,510	-	1,476
Business-type activities			
Education			
Student loan purchase program	5,264	17,076	-
Prepaid tuition	43,558	240	49,382
Loan guarantee program	145,577	28,475	117,249
Total business-type activities	194,399	45,791	166,631
Total Commission	$ 960,909	$ 45,791	$ 168,107

General revenues and transfers
General revenues
Appropriations from State resources
Lapsed appropriations
Receipts remitted to State Treasury
SERS on behalf contribution
Investment income
Miscellaneous
Total general revenues and transfers

Change in net position

Net position (deficit) July 1, 2017, as restated

Net position (deficit) June 30, 2018

See notes to the financial statements.

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (765,034)	$ -	$ (765,034)
(765,034)	-	(765,034)
-	11,812	11,812
-	6,064	6,064
-	147	147
-	18,023	18,023
(765,034)	18,023	(747,011)
412,746	-	412,746
(5,223)	-	(5,223)
353,895	-	353,895
2,566	-	2,566
-	1,664	1,664
377	207	584
764,361	1,871	766,232
(673)	19,894	19,221
(33,811)	(272,308)	(306,119)
$ (34,484)	$ (252,414)	$ (286,898)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018
(Dollars in thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Unexpended appropriations	$ 1,539	$ -	$ 1,539
Cash and cash equivalents	-	301	301
Due from other State of Illinois component units	5	-	5
Other receivables	-	115	115
Notes receivable, net of allowance of $29,184	5,322	-	5,322
Total assets	$ 6,866	$ 416	$ 7,282
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	$ 1,301	$ 215	$ 1,516
Due to other state funds	-	5	5
Due to other State of Illinois component units	243	-	243
Unearned revenues	-	4	4
Total liabilities	1,544	224	1,768
Fund balances			
Nonspendable, notes receivable	5,322	-	5,322
Restricted	-	3	3
Committed	-	189	189
Total fund balances	5,322	192	5,514
Total liabilities and fund balances	$ 6,866	$ 416	$ 7,282

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2018
(Dollars in thousands)

Total fund balances, governmental fund		$ 5,514
Amounts reported for governmental activities in the Statement of Net Position are different due to:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 2,700	
Buildings	19,229	
Equipment	51	
Accumulated depreciation	(12,366)	
Total capital assets		9,614
Some liabilities, deferred outflows of resources and deferred inflows of resources reported in the Statement of Net Position do not require the use of current (or provide) financial resources and, therefore, are not reported in governmental funds. These amounts consist of:		
Deferred outflows, pension related	18,390	
Deferred outflows, OPEB related	524	
Net pension liability	(20,684)	
Net OPEB liability	(14,496)	
Deferred inflows, pension related	(20,075)	
Deferred inflows, OPEB related	(13,113)	
Compensated absences	(158)	
		(49,612)
Net position of governmental activities		$ (34,484)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018
(Dollars in thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Federal government	$ -	$ 1,476	$ 1,476
Other	5	372	377
Total revenues	5	1,848	1,853
Expenditures			
Education			
Scholarships, awards and grants	763,213	1,867	765,080
Salaries and employee benefits	-	96	96
Total expenditures	763,213	1,963	765,176
Deficiency of revenues over expenditures	(763,208)	(115)	(763,323)
Other sources (uses) of financial resources			
Appropriations from State resources	412,696	50	412,746
Lapsed appropriations	(5,223)	-	(5,223)
Receipts remitted to State Treasury	353,895	-	353,895
SERS on behalf contribution	2,566	-	2,566
Net other sources (uses) of financial resources	763,934	50	763,984
Net change in fund balances	726	(65)	661
Fund balance, July 1, 2017	4,596	257	4,853
Fund balance, June 30, 2018	$ 5,322	$ 192	$ 5,514

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018
(Dollars in thousands)

Net change in fund balances, total governmental funds	$ 661
Amounts reported for governmental activities in the Statement of Activities are different due to:	
Governmental funds report capital outlays as expenditures while the Statement of Activities reports depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation ($504) Exceeded capital outlay ($0) in FY 2018	(504)
Some amounts reported in the Statement of Activities do not require the use of the current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:	
Increase in unpaid accumulated vacation and sick leave	(158)
Decrease in deferred outflows, pension related	(12,098)
Increase in deferred outflows, OPEB related	510
Increase in deferred inflows, pension related	(15,545)
Increase in deferred inflows, OPEB related	(13,113)
Decrease in net pension liability	25,001
Decrease in net OPEB liability	14,573
Change in net position of governmental activities	$ (673)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2018
(Dollars in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
ASSETS				
Current				
Unrestricted				
Cash and cash equivalents	$ 22,212	$ 14,531	$ 97,004	$ 133,747
Investments	3,955	150,606	-	154,561
Receivables				
Contracts	-	10,170	-	10,170
Intergovernmental	-	-	22,097	22,097
Recoverable taxes	-	51	-	51
Accrued interest on investments	-	3	160	163
Securities lending collateral	-	-	40,094	40,094
Due from other State funds	-	-	151	151
Due from other ISAC funds	-	-	2,236	2,236
Total current assets, unrestricted	26,167	175,361	161,742	363,270
Restricted				
Cash and cash equivalents	12,053	-	-	12,053
Receivables				
Student loans receivable, net of allowance of $9,501	42,515	-	-	42,515
Accrued interest on loans	17,820	-	-	17,820
Other	17	-	-	17
Total current assets, restricted	72,405	-	-	72,405
Non-current				
Unrestricted				
Investments	-	648,177	-	648,177
Contracts receivable	-	22,864	-	22,864
Capital assets, net of accumulated depreciation	-	-	1,843	1,843
Total non-current assets, unrestricted	-	671,041	1,843	672,884
Restricted				
Student loans receivable, net of allowance of $58,362	261,164	-	-	261,164
Total non-current, restricted	261,164	-	-	261,164
Total assets	359,736	846,402	163,585	1,369,723
Deferred outflows of resources				
Pension related amounts	306	-	25,461	25,767
OPEB related amounts	43	-	4,475	4,518
Total deferred outflows of resources	349	-	29,936	30,285
Total assets and deferred outflows of resources	$ 360,085	$ 846,402	$ 193,521	$ 1,400,008

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2018
(Dollars in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$ 165	$ 714	$ 8,886	$ 9,765
Accrued interest payable	1,202	-	-	1,202
Tuition obligation	-	150,056	-	150,056
Federal special allowance and interest subsidy	18	-	-	18
Due to other ISAC funds	2,023	213	-	2,236
Due to other State funds	-	-	158	158
Due to State of Illinois component units	-	519	-	519
Securities lending collateral obligation	-	-	40,094	40,094
Intergovernmental payable	-	-	6,138	6,138
Compensated absences	6	-	204	210
Revolving credit line	113,657	-	-	113,657
Total current liabilities	117,071	151,502	55,480	324,053
Non-current				
Tuition obligation	-	975,229	-	975,229
Revenue bonds and notes payable, net	161,391	-	-	161,391
Net pension liability	1,415	-	75,159	76,574
Net OPEB liability	1,405	-	51,779	53,184
Compensated absences	54	-	1,520	1,574
Total non-current liabilities	164,265	975,229	128,458	1,267,952
Total liabilities	281,336	1,126,731	183,938	1,592,005
DEFERRED INFLOWS OF RESOURCES				
Unamortized deferred amount on refunding	33,014	-	-	33,014
Pension related amounts	2,425	-	19,005	21,430
OPEB related amounts	1,057	-	4,916	5,973
Total deferred inflows of resources	36,496	-	23,921	60,417
NET POSITION				
Net investment in capital assets	-	-	1,843	1,843
Restricted for debt service	24,288	-	-	24,288
Restricted for federal grant programs	-	-	46,331	46,331
Unrestricted	17,965	(280,329)	(62,512)	(324,876)
Total net position	42,253	(280,329)	(14,338)	(252,414)
Total liabilities, deferred inflows or resources, and net position	$ 360,085	$ 846,402	$ 193,521	$ 1,400,008

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUNDS
Year Ended June 30, 2018
(Dollars in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Operating revenues				
Investment income				
Interest, student loans	$ 17,076	$ -	$ -	$ 17,076
Income, investments (net of closed end funds investment management fees of $1,791)	179	49,234	-	49,413
Interest, other	207	148	-	355
Total investment income	17,462	49,382	-	66,844
Other operating revenues				
Fees	-	240	-	240
Portfolio maintenance fees	-	-	1,937	1,937
Direct consolidation cost	-	-	9,734	9,734
Collections on student loans previously reimbursed by the U.S. Department of Education	-	-	14,405	14,405
Other	-	-	2,399	2,399
Total other operating revenues	-	240	28,475	28,715
Total operating revenues	17,462	49,622	28,475	95,559
Operating expenses				
Interest and other student loan expenses				
Interest expense				
Revenue bonds and notes	2,649	-	-	2,649
Amortization of loan premiums	814	-	-	814
Other student loan fees	1,371	-	-	1,371
Provision for loan losses	(1,263)	-	-	(1,263)
Total interest and other student loan expenses	3,571	-	-	3,571
Other operating expenses				
Salaries and employee benefits	480	2,102	10,094	12,676
Pension expenses	(1,666)	-	4,086	2,420
OPEB expenses	(156)	-	3,398	3,242
Loan guarantee	-	-	116,629	116,629
External loan servicing	1,336	-	-	1,336
Accreted tuition expenses	-	36,773	-	36,773
Investment management fees	-	397	-	397
Investment advisory fees	-	2,170	-	2,170
Management and professional services	666	2,116	10,943	13,725
Depreciation	-	-	427	427
Other	22	-	-	22
Total other operating expenses	682	43,558	145,577	189,817
Total operating expenses	4,253	43,558	145,577	193,388
Operating income (loss)	13,209	6,064	(117,102)	(97,829)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUNDS
Year Ended June 30, 2018
(Dollars in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Non-operating revenues (expenses)				
Federal government special allowance and interest subsidy	$ (1,011)	$ -	$ -	$ (1,011)
Federal government	-	-	117,249	117,249
Interest revenue	-	-	1,485	1,485
Total Non-operating revenues (expenses)	(1,011)	-	118,734	117,723
Change in fund net position	12,198	6,064	1,632	19,894
Net Position, July 1, 2017, as restated	30,055	(286,393)	(15,970)	(272,308)
Net Position, June 30, 2018	$ 42,253	$ (280,329)	$ (14,338)	$ (252,414)

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2018
(Dollars in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Cash flows from operating activities				
Cash received from fees and other charges	$ -	$ 240	$ 104,273	$ 104,513
Cash payments for tuition	-	(125,982)	-	(125,982)
Cash payments to suppliers for goods and services	(2,035)	(2,320)	(5,496)	(9,851)
Cash payments to employees for services	(613)	(2,102)	(13,641)	(16,356)
Cash payments for loan guarantees	-	-	(119,741)	(119,741)
Cash receipts from student loans and fees	64,920	-	-	64,920
Cash receipts from tuition contracts	-	14,334	-	14,334
Cash payments for student loans	(1,586)	-	-	(1,586)
Cash payments for refund of contracts	-	(22,591)	-	(22,591)
Cash payments for other operating activities	-	-	(81,207)	(81,207)
Net cash provided (used) by operating activities	60,686	(138,421)	(115,812)	(193,547)
Cash flows from noncapital financing activities				
Principal paid on revenue bonds and other borrowings	(52,750)	-	-	(52,750)
Interest paid on revenue bonds and other borrowings	(6,167)	-	-	(6,167)
Special allowance and interest subsidy	(1,526)	-	-	(1,526)
Transfers in	-	-	21,407	21,407
Transfers out	-	-	(21,407)	(21,407)
Federal government grants	-	-	114,258	114,258
Net cash provided (used) by noncapital financing activities	(60,443)	-	114,258	53,815
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	-	(148)	(148)
Cash flows from investing activities				
Purchase of investment securities	(4,931)	(221,941)	-	(226,872)
Proceeds from sales and maturities of investment securities	5,000	345,934	-	350,934
Interest and dividends on investments	139	4,325	1,420	5,884
Cash paid to investment managers	-	(397)	-	(397)
Net cash provided by investing activities	208	127,921	1,420	129,549
Increase (decrease) in cash and cash equivalents	451	(10,500)	(282)	(10,331)
Cash and cash equivalents, July 1, 2017	33,814	25,031	97,286	156,131
Cash and cash equivalents, June 30, 2018	$ 34,265	$ 14,531	$ 97,004	$ 145,800

See notes to the financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2018
(Dollars in thousands)

	Illinois Designated Account Purchase Program Fund	Illinois Prepaid Tuition Program Fund	Nonmajor Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	$ 13,209	$ 6,064	$ (117,102)	$ (97,829)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	427	427
Investment income	(179)	(46,815)	-	(46,994)
Interest expense	2,649	-	-	2,649
Accreted tuition contract revenue	-	-	-	-
Amortization of student loan premiums	814	-	-	814
Accreted tuition expense	-	36,773	-	36,773
Provision for loan losses	(1,263)	-	-	(1,263)
Change in assets, liabilities and deferred outflows/ inflows of resources				
Contracts receivable	-	12,963	-	12,963
Student loans receivable	50,524	-	-	50,524
Intergovernmental receivables	-	-	57	57
Accrued interest - loans and notes	(3,067)	-	-	(3,067)
Due from other State funds	-	-	450	450
Accounts payable and accrued liabilities	(16)	(570)	(2,139)	(2,725)
Intergovernmental payables	-	-	(1,383)	(1,383)
Due to other ISAC funds	(30)	(71)	4	(97)
Due to other State funds and component units	-	437	(39)	398
Tuition obligation	-	(147,202)	-	(147,202)
Compensated absences	25	-	(203)	(178)
Deferred inflows related to pensions and OPEB	689	-	(2,018)	(1,329)
Deferred outflows related to pensions and OPEB	330	-	(13,329)	(12,999)
Net pension liability	(1,794)	-	17,795	16,001
Net OPEB liability	(1,205)	-	1,668	463
Total adjustments	47,477	(144,485)	1,290	(95,718)
Net cash provided (used) by operating activities	$ 60,686	$ (138,421)	$ (115,812)	$ (193,547)
Supplemental disclosure of noncash transactions:				
Net appreciation in fair value of investments	$ 40	$ 33,557	$ -	$ 33,597

See notes to the financial statements.

NOTE 1 - ORGANIZATION

The Illinois Student Assistance Commission (ISAC or Commission) is a part of the executive branch of government of the State of Illinois (State). ISAC operates under a budget approved by the General Assembly in which resources are appropriated for the use of ISAC. Activities of ISAC are subject to the authority of the Office of the Governor, the State's Chief Executive Officer, and other departments of the executive branch of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to ISAC and all other cash received are under the custody and control of the State Treasurer, with the exception of the Illinois Designated Account Purchase Program (IDAPP) a locally held fund, and College Illinois! funds that are held in Trust.

ISAC was established through the Higher Education Student Assistance Act in 1957. The agency is governed by the Commission, a board of ten persons appointed by the Governor, who serve without compensation for a term of six years, except for one member who serves for a term of two years. It employs and provides direction to an Executive Director who is responsible for overseeing and implementing the Commission's day-to-day operations. The Commission's operations office is at 1755 Lake Cook Road in Deerfield, with additional offices located at 500 West Monroe in Springfield and 100 West Randolph in Chicago.

The Commission was created to establish and administer a system of financial assistance through student loans and loan guarantees; scholarships and grant awards; and a prepaid tuition program for residents of the State to enable them to attend qualified public or private institutions of their choice. The Commission fulfills this purpose by administering the following programs:

Monetary Award Program (MAP): This program was created to provide financial assistance to qualifying students who are residents of the State and enrolled at an approved post-secondary institution in Illinois. The monetary awards are granted on the basis of student financial need and the availability of funds. The grant provided up to $4,968 in Fiscal Year 2018 for the payment of tuition and mandatory fees. The program is usually funded by the General Fund appropriation.

Illinois Veteran Grant: The Illinois Veteran Grant (IVG) Program pays eligible tuition and mandatory fees at all Illinois public universities or public community colleges for veterans. Qualified applicants may use this grant at the undergraduate or graduate level for the equivalent of four academic years of full-time enrollment.

This grant is an entitlement program and is awarded to eligible applicants regardless of the funding level. If funds appropriated for ISAC are insufficient to reimburse public post-secondary institutions for all recipients, the obligation to pay is transferred to the institution. This program was not funded in Fiscal Year 2018.

Illinois National Guard Grant: The Illinois National Guard (ING) Grant pays tuition and eligible fees at all Illinois public universities or public community colleges to members of the Illinois National Guard. This grant can be used for either undergraduate or graduate enrollment for the equivalent of four academic years of full-time enrollment.

(Continued)

NOTE 1 - ORGANIZATION (Continued)

Illinois National Guard Grant (continued): The ING Grant is an entitlement program and is awarded to eligible recipients regardless of the funding level. If funds appropriated for ISAC are insufficient to reimburse public post-secondary institutions for all recipients, the obligation to pay is transferred to the institution where the guard member attends school. This program was not funded in Fiscal Year 2018.

Golden Apple Scholars of Illinois: The Golden Apple Scholars of Illinois Program encourages academically talented Illinois students, especially minority students, to pursue teaching careers, especially in teacher shortage disciplines or at hard-to-staff schools.

The privately-operated Golden Apple program provides grants towards tuition and fees that must be repaid by recipients who do not subsequently fulfill a work requirement; Golden Apple also provides mentoring and support services and the opportunity to attend summer institutes on teaching.

Minority Teachers Scholarship Program: The Minority Teachers of Illinois (MTI) Scholarship Program encourages academically talented minority students to pursue careers as teachers at nonprofit Illinois preschool, elementary and secondary schools. The program also aims to provide minority children with access to a greater number of positive minority role models.

Scholars receive financial assistance of up to $5,000 to attend a course of study which, upon completion, qualifies the student to be certified as a preschool, elementary or secondary school teacher by the Illinois State Board of Education, including alternative teacher certification; and in exchange the recipient pledges to teach full time (one year for each year in which scholarship assistance was received) in a nonprofit Illinois public, private, or parochial preschool, elementary or secondary school with at least 30% minority enrollment.

Grant Program for Dependents of Police, Fire or Correctional Officers (Dependents Grant): The Dependents Grant provides that the spouse or child of an Illinois police, fire officer or correctional officer who was killed or became at least 90 percent disabled in the line of duty, may be eligible for this grant. This grant provides assistance toward college tuition and mandatory fees for undergraduate or graduate study at an ISAC-approved Illinois college.

Illinois Teacher Loan Repayment Program: The Illinois Teachers Loan Repayment Program provides awards to encourage academically talented Illinois students to teach in Illinois schools in low-income areas. If the teaching obligations are met by a Federal Stafford loan borrower who has qualified for the federal government's loan forgiveness programs, Illinois may provide an additional matching award of up to $5,000 to the qualifying teacher to repay their student loan debt.

Nurse Educator Loan Repayment Program: In an effort to address the shortage of nurses and the lack of instructors to staff courses teaching nursing in Illinois, the Nurse Educator Loan Repayment Program encourages longevity and career change opportunities. The program is intended to pay eligible loans to add an incentive to nurse educators in maintaining their teaching careers within the State of Illinois. The annual awards to qualified nurse educators may be up to $5,000 to repay their student loan debt, and may be received for up to a maximum of four years.

(Continued)

NOTE 1 - ORGANIZATION (Continued)

Veterans' Home Medical Providers' Loan Repayment Act : The Veterans' Home Medical Providers' Loan Repayment Act provides for the payment of eligible educational loans as an incentive for nurses to pursue and continue their careers at State of Illinois veterans' homes. The annual award to qualified registered professional nurses and licensed practical nurses may be up to $5,000 to repay their student loan debt. This award may be received for up to a maximum of four years.

Special Education Teacher Tuition Waiver: This program is for teachers or academically talented students pursuing a career in special education as a nonprofit public, private or parochial preschool, elementary or secondary school teacher in Illinois. This program provides exemptions from paying tuition and mandatory fees at eligible institutions, for up to four calendar years. Awards are not subject to annual appropriations by the Illinois General Assembly and the Governor.

Illinois State Scholars: The Illinois State Scholar program is awarded to high school seniors based on ACT or SAT test scores and the sixth semester class rank, class size and unweighted Grade Point Average (GPA).

Each student designated as a State Scholar receives a congratulatory letter, a Certificate of Achievement and statewide recognition in the news media. To be honored as a State Scholar in Illinois is an outstanding accomplishment that will be a highlight of the recipient's academic record.

Ancillary Award Programs: The following Ancillary Award programs, funded by the General Fund supplement the scholarship and grant programs listed above:

- Silas Purnell Illinois Incentive for Access Program (IIA)*
- Bonus Incentive Grant*
- Student to Student Program of Matching Grants*
- Merit Recognition Scholarships*
- Teach Illinois Scholarship Program*
- Forensic Science Grants*
- Public Interest Attorney Loan Repayment Program
- Child Welfare Student Loan Forgiveness Program*
- Community College Transfer Grant Program*
- Grant for a Person Raised by a Grandparent*
- Grant for Program Participants in SIU-C Achieve Program*
- Grant Program for Exonerees*
- Grant Program for Medical Assistants in Training*

* These programs were not funded in Fiscal Year 2018.

John R. Justice Student Loan Repayment Program: The John R. Justice Student Loan Repayment Program provides for the payment of eligible educational loans (both Federal Family Education Loan Program [FFELP] and Federal Direct Loans) for state and federal public defenders and state prosecutors who agree to remain employed as public defenders and prosecutors for at least three years. The annual awards to qualified defenders and prosecutors may be up to $4,000 (dependent on funding), up to an aggregate total of $60,000, to repay their student loan debt. If the employment commitment is not fulfilled, any amount received must be repaid.

NOTE 1 - ORGANIZATION (Continued)

Optometric Education Scholarship Program: The Optometric Education Scholarship Program provides scholarship assistance to encourage eligible students to pursue a graduate degree in optometry. A total of 10 scholarships are awarded each year.

The scholarship may be used to pay tuition and mandatory fees for two semesters, or three quarters in an academic year. The award amount determined by the institution will be the lesser of $5,000 or tuition and mandatory fees. If the obligation is not fulfilled the scholarship converts to a loan.

Federal Family Education Loan Program (FFELP): This program was designed to stimulate the making of educational loans by Illinois commercial lenders to qualifying students by guaranteeing repayment of the loans through payments to lenders for defaulted loans. This program is federally funded through the United States Department of Education.

The Higher Education Act of 1965 (HEA) as amended by the Higher Education Amendments of 1998 (Pub.L. 105-244) required the agency to establish two funds for the Program's Administration, the Federal Student Loan Fund (FSLF) and the Student Loan Operating Fund (SLOF).

The Federal Student Loan Fund (FSLF) accounts for federal government program activities operated and maintained by ISAC. Section 422A(d) of the HEA allows the FSLF to be used primarily to pay lender claims and default aversion fees to ISAC's Student Loan Operating Fund (SLOF). The SLOF is used for ISAC's operating expenses. Resources reported in the SLOF are the State's earned activities and are administered by ISAC.

As a result of the Student Aid and Fiscal Responsibility Act (SAFRA), which was part of the Health Care and Education Reconciliation Act, no new loans have been made under the FFELP program since July 1, 2010.

Higher Education License Plate Grant Program: Working with the Secretary of State, participating public universities, community colleges and not-for-profit private colleges and universities in Illinois can have specialized collegiate license plates issued for their schools. Of the $75 fee charged for these specialized plates, $25 is used to fund a grant program called the Higher Education License Plate (HELP) Grant Program. Each participating public university and community college administers its own scholarship program using the funds received directly from the license plate fees. Participating private institutions receive a grant from proceeds generated by the license plate fee deposited into the University Grant Fund, a special fund in the State Treasury.

ISAC annually seeks appropriation authority to disburse these collected funds to the participating schools. Eligibility for HELP Grants is based on student need. Grants are used to pay tuition and fees up to a maximum grant of $2,000 per year. Funds must be used to support students who attend the institutions that generate the license plate revenue.

College Illinois!®: Legislation authorizing ISAC to administer an Illinois Prepaid Tuition Program was passed in November 1997. The Illinois Prepaid Tuition Program is administered by ISAC with advice and counsel from an investment advisory panel consisting of seven members appointed by ISAC. The purpose of this program is to provide Illinois families with an affordable tax-advantaged method to pay for college. Illinois Prepaid Tuition contracts will allow participants to prepay the cost of tuition and mandatory fees at Illinois public universities and community colleges. Benefits of the contracts can also be used at private and out-of-state colleges and universities. Contracts can be purchased in a lump sum payment or in installments. The Illinois Prepaid Tuition Program has been named College Illinois!®.

(Continued)

NOTE 1 - ORGANIZATION (Continued)

College Illinois!® (continued): For additional information, refer to the Illinois Prepaid Tuition Program Financial Audit, for the year ended June 30, 2018.

Illinois Designated Account Purchase Program (IDAPP): The Illinois Designated Account Purchase Program (IDAPP), a program of ISAC, was created through an Act of the State of Illinois (State) General Assembly to increase participation of eligible lenders in ISAC's Student Loan Programs by purchasing guaranteed student loans from lenders in order to reduce the lenders' collection and administrative costs.

IDAPP facilitated lender participation in the student loan programs by reducing the overall risk and collection expenses those lenders faced. One of the major incentives offered by the Commission was that IDAPP took over servicing the loan after it was purchased from the lender. Sales of loans to the Commission gave the lenders the capital to make new and renewal loans.

Capital to support IDAPP was funded through the sale of revenue notes and bonds. The capital borrowings and IDAPP's operational costs are repaid with student loan repayments (or recovery through the guarantor agencies), collection of interest and fees on student loans, and special allowances and interest received from the U.S. Department of Education. Almost all of IDAPP's funds are held locally in various banks and financial institutions. It is reported as a Proprietary Fund.

As a result of the Student Aid and Fiscal Responsibility Act (SAFRA), which was part of the Health Care and Education Reconciliation Act, the FFELP program has been ended by the Department of Education since July 1, 2010.

Since the end of the FFELP program, there have been no new disbursements of loans from IDAPP. The agency is administering the wind-down of the existing portfolio. In addition, a majority of the student loan portfolio was sold /refinanced between 2007 and 2010.

Based on the size of its portfolio, IDAPP used to be a major fund for the State of Illinois. The Commission issued stand-alone statements for the IDAPP fund. However, as a result of the refinancing and the wind-down of the portfolio, IDAPP is no longer a major fund for the state. In addition, the agreements with the Bond Trustees do not mandate stand-alone statements for the fund. ISAC's consolidated financial statements can be submitted instead of the stand-alone statements. As a result effective Fiscal Year 2016, the Commission will not be issuing separate stand-alone statements for IDAPP.

The IDAPP fund is still reflected separately on the Statement of Net Position - Enterprise Funds, Statement of Revenues, Expenses and Changes in Net Position - Enterprise Funds and Statement of Cash Flows - Enterprise Funds in the ISAC Consolidated financial statements.

Alternative Loan Program: In order to make post-secondary educational opportunities more accessible for qualified students, ISAC offered a program of "Alternative Loans" to supplement existing federal and state student financial assistance programs. No new loans have been made under the program since 2010.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

Financial Reporting Entity: The Commission is an agency of the State. As such, the Governor of the State determines designation of the governing authority. The State also maintains overall accountability for the Commission's fiscal matters. The Commission operates under a budget approved by the General Assembly in which resources primarily from the State's General Revenue and Special Revenue Funds as well as the Federal Student Loan and Student Loan Operating Funds are appropriated for the use of the Commission. Activities of the Commission are subject to the authority of the Office of the Governor, the State's Chief Executive Officer and other departments of the executive branch of government (such as the State Comptroller's Office and the State Treasurer's Office) as defined by the General Assembly.

The Commission is not legally separate from the State; the financial statements of the Commission are included in the financial statements of the State. The State's Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1871.

All funds appropriated to the Commission and all other cash received are under the custody and control of the State Treasurer, with the exception of IDAPP funds, College Illinois funds, and certain locally held funds, which are under the direct control of the Commission. As an integral unit of the State, the Commission prepares its year-end financial statements utilizing the State's basis of accounting and fund classifications. The accompanying financial statements present the financial position, results of operations and cash flows of all funds that comprise the Commission. The Commission's financial statements are an integral part of the State's overall comprehensive annual financial report.

Basis of Presentation:
Government-wide Statements. The government-wide statement of net position and statement of activities report the overall financial activity of the Commission. Eliminations have been made to minimize the double counting of internal activities of the Commission. These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through appropriations, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are clearly identifiable with a specific function, including each activity's share of allocated (shared) costs. Interest expense related to borrowing for student loan activities (business-type activities) totaling $3,463 (including amortization) is included in student loan purchase program expense in the Statement of Activities. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all appropriations, are presented as general revenues.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements. The fund financial statements provide information about the Commission's funds. Separate statements for each fund category - governmental and proprietary (enterprise) - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and certain investment earnings, and gains and losses from sales of the loan portfolio, result from non-exchange transactions or ancillary activities. Due to the nature of IDAPP and Illinois Prepaid Tuition Program activities, income from investments is considered operating activities, and interest expense is considered an operating activity in IDAPP's Statement of Revenues, Expenses, and Changes in Net Position.

The Commission administers the following major governmental fund of the State:

General – This is the Commission's portion of the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services, which are administered by the Commission and accounted for in the General Fund, include a program of financial assistance through scholarship and grant awards for residents of the State.

For Fiscal Year 2018, the Commission received appropriations through the General Fund - Educational Assistance Account. This account is a shared account and its activity (if any) attributed to the operations of the Commission is combined with the General Revenue Account for report presentation purposes. Any monies received by this fund are held in the State Treasury.

The Commission administers the following major enterprise funds of the State:

Illinois Designated Account Purchase Program (IDAPP) – This fund accounts for the activities of the Illinois Designated Account Purchase Program (referred throughout this report as "IDAPP") including issuance of debt and acquisition of student loans from lenders and the subsequent collection of the loans.

Illinois Prepaid Tuition Program (College Illinois!®) – This fund accounts for the activities of the Illinois Prepaid Tuition Program (referred throughout this report as "College Illinois!®") including the sale of Illinois prepaid tuition contracts, investment of funds and payment of benefits of the contracts to participants.

Additionally, the Commission administers the following fund types:

Special Revenue Funds – Special Revenue Funds account for transactions related to resources obtained from specific revenue sources that are legally restricted, committed or assigned to expenditures for specific purposes. Special Revenue Funds are also used to account for federal grant programs. These funds are presented as a part of the nonmajor governmental funds.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest relating to certificates of participation for the building located in Deerfield. This fund is presented as a part of the nonmajor governmental funds.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds – Enterprise Funds are used to account for the Commission's ongoing organizations and activities, which are similar to those often found in the private sector. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned and expenses incurred is appropriate for capital maintenance, public policy, management control, accountability or other purposes. All business-type funds of the Commission are classified as enterprise funds.

Basis of Accounting: The government-wide and enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, includes grants and similar items and are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

ISAC reports unearned revenue on its financial statements. Unearned revenues arise when resources are received by ISAC before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met or when ISAC has a legal claim to the resources, the liability for unearned revenues is removed from the financial statements and revenue is recognized.

Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, pensions and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest and federal grant revenues are significant revenue sources, which are susceptible to accrual. All other revenue sources such as fines, penalties, licenses and other miscellaneous revenues are considered to be measurable and available only when cash is received.

Shared Fund Presentation: The financial statement presentation for the General Fund and the University Grant Fund, part of the nonmajor governmental funds, represents only the portion of shared funds that can be directly attributed to the operations of the Commission. Financial statements for total fund operations of the shared State funds are presented in the State's Comprehensive Annual Financial Report.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Commission's portion of shared funds:

Unexpended Appropriation: This "asset" account represents lapse period warrants issued between July and August for Fiscal Year 2018 in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

Appropriations from State Resources: This "other financing source" account represents the final legally adopted appropriation according to SAMS records. The amounts reported are net of any re-appropriations to subsequent years and the difference between current and prior year liabilities for re-appropriated accounts. Re-appropriations reflect the State's realignment of the budgetary needs to the subsequent year and avoid double counting a portion of the appropriation in more than one fiscal year.

Lapsed Appropriations: Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 18-month period from July to December of the following year and re-appropriations to subsequent years according to SAMS records.

Receipts Remitted to State Treasury: This "other financing use" account represents all cash receipts received during the fiscal year from SAMS records.

Amount of SAMS Transfer In: This other financing use account represents cash transfers made by the Office of the Comptroller in accordance with statutory provisions to the corresponding fund during the fiscal year per SAMS records in which the Commission did not make a deposit into the State Treasury.

Budgetary Process: The State Constitution requires the Governor to prepare and submit to the General Assembly an executive budget for the ensuing fiscal year. The budget covers most funds held by the State, but excludes locally held funds and various treasury-held funds, which are not subject to appropriation pursuant to State law. The General Assembly enacts the budget through the passage of specific line-item appropriations (i.e., personnel services, contractual services, equipment, etc.), the sum of which must not exceed estimated revenues pursuant to the State Constitution. The Governor has the power to approve, reduce or veto each appropriation passed by the General Assembly. Transfers in/out contained in the Executive budget are not a part of the General Assembly's appropriation process.

The actual amounts are determined either by state law or by discretionary action available to the Governor. The SAMS controls expenditures by line item as established in approved appropriation bills and the level of legal control is reported in a publication titled "A Detailed Report of Expenditures and Revenues." A separate document is necessary since the State has over 6,500 appropriated line items.

Unexpended appropriations are available for subsequent expenditures to the extent that encumbrances have been incurred at June 30, provided they are presented for payment during the succeeding two-month lapse period. Certain appropriations referred to as "reappropriations" represent the General Assembly's approval for continuation of a prior year's program which requires additional time for completion.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: Cash and cash equivalents consist principally of deposits held in the State Treasury. Cash and cash equivalents also include cash on hand, cash in banks for locally held funds, and highly liquid investments purchased with maturities of three months or less.

Investments: ISAC presents investments on its Statement of Net Position at fair value or amortized cost which approximates fair value. The net appreciation or depreciation in the fair value of investments since the prior fiscal year (or purchase date for Fiscal Year 2018 purchases) is included as investment income in the financial statements. Dividend and interest income are recorded in the period earned.

Contracts Receivable: Contracts receivable represents the amount College Illinois!® expects to receive from contract holders for contracts purchased on an installment basis. The actuarially determined present value of future contributions was $33,034 as of June 30, 2018 using a 6.25% discount rate. The program expects to receive contributions totaling $10,170 in Fiscal Year 2019. This amount has been classified as current contracts receivable on the Statement of Net Position. The total contract receivable balance is expected to be received over the next fourteen years.

Student Loans Receivable/Premiums: As a secondary lender, when IDAPP purchases loans from another lender, IDAPP may pay a premium on those loans. Premiums over $50 (in the aggregate) are capitalized and amortized on a straight-line basis over the average remaining useful lives of the student loans. Premiums under $50 (in the aggregate) are expensed.

Allowance for Possible Loan Losses: The allowance for possible loan losses is an estimate of credit losses arising from the student loan portfolio. A provision for possible loan losses, which is reported as an operating expense, is added to bring the allowance to a level that, in management's judgment, is adequate to absorb estimated losses in the portfolio. Management performs a monthly assessment of the loan portfolio in order to determine the appropriate level of the allowance. The factors in this evaluation include, but are not necessarily limited to, delinquencies over 120 days, loan servicing deficiencies and the amount of unguaranteed reimbursement from the United States Department of Education as discussed in Note 4.

Management believes that the allowance for possible loan losses is adequate. While management uses available information to recognize losses on loans, future additions may be necessary based on future review of compliance with due diligence and contractual servicing requirements by IDAPP, and its outside loan servicers.

Interfund Transactions: The Commission has the following types of interfund transactions between Commission funds and funds of other State agencies:

Loans – amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender funds and interfund payables (i.e., due to other funds) in borrower funds.

Services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net position.

(Continued)

(Dollars in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers –- flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

Capital Assets: Capital assets, which include property and equipment, are reported at cost. Capital assets are depreciated using the straight-line method. Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Land	$ 100	N/A
Buildings	100	10-60
Building improvements	25	10-45
Equipment	5	3-25
Internally generated software	1,000	10

Restricted Assets: Restricted assets represent those assets which are required to be held by the trustee as mandated by the bond and note indentures or resolutions or are pledged as security in support of bond and note indentures or resolutions.

Encumbrances: The Commission employs encumbrance accounting for all Governmental Fund types. All outstanding contracts, purchase orders and other commitments for goods and services (if any) that have been received/rendered at June 30, but delivered and invoiced during the State's lapse period, are reported as restricted, committed or assigned fund balances, as appropriate, not as expenditures or liabilities. Encumbrances are recorded as expenditures on the budgetary basis for such funds.

Compensated Absences: The liability for compensated absences reported in the government-wide and certain proprietary fund financial statements consists of unpaid, accumulated vacation and sick leave balances for Commission employees. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary-related costs (e.g., Social Security and Medicare tax).

Legislation that became effective January 1, 1998, capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Premiums, Discounts, and Refunding Gains: In the government-wide and proprietary fund financial statements, debt premiums and discounts are amortized over the life of the debt using the straight-line method, which approximates the effective interest rate method. Deferred amounts on refunding represent a gain on refunding recognized with the issuance of the LIBOR Floating Rate Notes (see Note 8) and are reported as a deferred inflow of resources in the financial statements. These amounts are amortized on a weighted basis over the life of the remaining two tranches. Bonds and notes payable are reported net of the unamortized discount.

Current year amortization expense is included in student loan expense in the Statement of Activities.

Tuition Obligation: The tuition obligation in the Illinois Prepaid Tuition Program represents the net contract face value for the 35,183 contracts held by the fund as of June 30, 2018, plus the actuarially-determined present value of future benefits the Program expects to provide to contract holders for all contracts.

Pensions: In accordance with the Commission's adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense have been recognized in the government-wide and proprietary fund financial statements.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with the Commission's contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the Commission's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Illinois State Employees Group Insurance Program (SEGIP) and additions to/deductions from the SEGIP Plan's fiduciary net position have been determined on the same basis as they are reported by the SEGIP Plan. For this purpose, the SEGIP Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances: Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. In the governmental fund financial statements, fund balances are reported in the following categories:

Nonspendable – This consists of amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted – This consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Committed – This consists of amounts constrained by limitations that the State imposes upon itself through legislation by its governing body. The commitment amount will be binding unless removed or amended in the same manner in which it is created.

Assigned – This consists of net amounts that are constrained by the Commission's intent to be used for specific purposes, but that are neither restricted nor committed. The Commission is authorized to assign funds by the State in accordance with the Higher Education Assistance Act (110 ILCS 947/20).

Unassigned – This includes the residual fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund.

In instances where restricted, committed and assigned fund balances are available for use, the Commission's policy is to use restricted resources first, followed by committed resources, then assigned resources, as needed.

Net Position: In the government-wide and proprietary fund financial statements, net position is displayed in three components as follows:

Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets; for which there are none.

Restricted – results when constraints placed on net position use is either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. Based on bond indentures, all IDAPP assets, except for assets relating to operations, are restricted for the benefit of debt holders until the bonds are retired. Additionally, based on constraints placed on net position use by the Department of Education, the net position of the Federal Student Loan Fund is restricted.

Unrestricted (Deficit) – This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Commission first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Funding and Actuarial Assistance: Program funding for the Illinois Prepaid Tuition Program is derived entirely from payments received from contract purchasers and the investment income earned by the Fund. The Commission has obtained actuarial assistance in order to measure the Fund's obligations. The assets of the Fund are to be preserved, invested and expended solely pursuant to and for the purposes of the Fund and may not be loaned or otherwise transferred or used by the State for any other purpose.

NOTE 3 - DEPOSITS AND INVESTMENTS

Authorized Deposits and Investments: The Commission is permitted by Illinois Statutes to engage in a wide variety of investment activities. These include bonds, notes, certificates of indebtedness, treasury bills or other securities guaranteed by the United States Government; interest-bearing savings accounts, certificates of deposit, interest-bearing time deposits or any other investments that constitute direct obligations of any bank; short-term obligations of certain qualified United States Corporations; short-term discount obligations of the Federal National Mortgage Association; shares or other securities legally issued by certain state or federal savings and loans associations; insured dividend-bearing share accounts and certain other accounts of chartered credit unions; certain mutual funds, the Illinois funds investment pool, and repurchase agreements that meet certain instrument and transactions requirements.

With regard to the Prepaid Tuition Program, in addition to the funds with the State Treasurer, the Commission by statute (Illinois Prepaid Tuition Act, 110 ILCS 979) is required to appoint an investment advisory panel to offer advice and counseling regarding the investments of the prepaid tuition program. The panel is required to annually review and advise the Commission on provisions of the strategic investment plan, which will specify the investment policies to be utilized by the Commission in the administration of the Prepaid Tuition Program. The Commission may direct that assets of the Prepaid Tuition Program funds be placed in savings accounts or may use the same to purchase fixed or variable life insurance or annuity contracts, securities, evidence of indebtedness, or other investment products pursuant to the comprehensive investment plan and in such proportions as may be designated or approved under that plan.

With regard to the Illinois Designated Account Purchase Program (IDAPP), bond documents such as trust indentures place strict limitations on the type of investments that can be made by IDAPP. The limitations vary slightly from issue to issue, but in general they restrict investments to direct obligations of the federal government and government agencies, investment agreements, repurchase agreements, bank certificates of deposit, money market funds and highly rated commercial paper and municipal bonds.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The Public Funds Investment Act (Act) also restricts the investment of funds under the control of IDAPP. These restrictions apply to any funds, which are not restricted by the terms of a debt document. Permitted deposits and investments under the Act include (subject to various restrictions and limitations) direct federal obligations of the United States of America, federal guaranteed obligations, participation interests in federal obligations, federal affiliated institutions, certificates of deposit, time deposits, and other bank deposits which are fully insured by the Federal Deposit Insurance Corporation (FDIC) or similar federal agency or which are fully collateralized, money market funds, repurchase agreements, investment agreements with financial institutions, commercial paper, state or municipal bonds, and bankers' acceptances. IDAPP's investment policy, which applies to all investments, is more restrictive than the Act in that investments in money market mutual funds are restricted to those with portfolio holdings of United States obligations including bonds, notes, certificates of indebtedness, treasury bills or other securities, which are guaranteed by the full faith and credit of the United States of America as to principal and interest, and direct United States obligations (bonds, notes, debentures or other similar obligations of the United States of America or its agencies).

Investment Authority and Legal Compliance: The State Treasury is the custodian of the State's cash and cash equivalents for the Illinois Prepaid Tuition Program maintained in the State Treasury. The investment authority for the State Treasury is found in the State Treasurer Act (15 ILCS 505), which authorizes the State of Illinois primary government and its component units to engage in a wide variety of investment activities. For further details please refer to the State of Illinois Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained from the Illinois Office of the Comptroller at 325 West Adams, Springfield, Illinois 62704.

The Illinois Prepaid Tuition Program independently manages cash and cash equivalents maintained outside the State Treasury.

The Commission board members have ultimate responsibility for the success and safety of the investment program. 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).

The Commission may not delegate its oversight and management responsibilities but will be assisted in its functions by other sub committees, panels and agency staff.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The Commission by statute (Illinois Prepaid Tuition Act, 110 ILCS 979) is required to appoint an investment advisory panel to offer advice and counseling regarding the investments of the Illinois Prepaid Tuition Program.

The Commission appoints members to the panel in a manner consistent with the representation prescribed in the Act. The panel is required to annually review and advise the Commission on provisions of the strategic comprehensive investment plan.

The Investment Policy (Policy) represents the comprehensive investment plan as referred to in the Act. The Policy is reviewed by the Commission annually and identifies a set of investment objectives, guidelines, and performance standards for the investment of the assets of the Fund.

The Commission also appoints an Investment Committee consisting of at least three (3) members of the Commission with knowledge of investing. Investment Committee members are selected by the Chair of the Commission and approved by a vote of the Commission. The Investment Committee meets at least quarterly 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 for considering investment initiatives for potential recommendation to the full Commission.

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 has the authority and responsibility to ensure that the Commission is adequately informed on matters and concerns relating to Fund investments. The CIO will work closely with the Executive Director, Investment Consultant and Investment Staff to carry out the duties and responsibilities of this role.

In accordance with the Prepaid Tuition Act, the Commission 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.

A qualified investment consultant, on an ongoing basis, evaluates the Illinois Prepaid Tuition Program. The primary role of the Investment Consultant is to provide the information, analysis, and advice required by the Investment Staff, Investment Advisory Panel, 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.

Written reports are provided to the Commission by the investment consultant no later than 45 days after the end of each calendar quarter. The CIO and investment consultant meet with the various investment managers on a regular basis to review the investment guidelines and the asset/liability structure of the Program. The investment consultant also assists the CIO, Investment Committee, Commission and the Investment Advisory Panel with the selection of investment managers and custodians.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The qualified investment consultant retained by the Commission is expected to provide an independent prospective within the parameters set forth in the investment policy guidelines. The Program has contracted with Callan Associates to evaluate the investment performance of the Illinois Prepaid Tuition Program on an ongoing basis.

The investment policy authorizes the Commission to utilize a third party custodian to safe-keep the assets of the Fund and to provide reports on a monthly basis to all relevant parties. The custodian retained by the Commission is required to exercise discretion within the parameters set forth in the investment policy guidelines for the portfolio(s) they manage on behalf of the Fund.

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.

The Commission may direct that assets of the Program's Funds be placed in savings accounts or may use the same to purchase fixed or variable life insurance or annuity contracts, securities, evidence of indebtedness, or other investment products pursuant to the comprehensive investment plan and in such proportions as may be designated or approved under that plan.

The Commission also authorizes the hiring of professional investment managers to manage the assets of the Fund. Investment managers are hired who, by their record and experience have demonstrated their fiduciary responsibility, their investment expertise, their investment experience, and their capacity to undertake the mandate for which they are being considered. Investment managers retained for the Illinois Prepaid Tuition Program acknowledge in writing 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.

Unless otherwise exempt from registration, investment managers need to be currently registered and maintain registration as an investment advisor under the Investment Advisors Act of 1940, a bank (as defined in the 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.

The Commission has established strict guidelines to ensure that hiring decisions are made 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.

The Illinois Prepaid Tuition Program investment policy dictates certain guidelines and restrictions that apply to each approved asset class. Such restrictions may include certain prohibited transactions, as well as restrictions on portfolio composition. In accordance with the investment policy approved on June 25, 2012, the Fund will not make any new direct private investments or new co-investments that are tied to a single company or investment.

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State law (30 ILCS 230/2C) requires that all deposits of public funds be covered by FDIC insurance or eligible collateral. The Commission has no policy that would further limit the requirements under State law. The Illinois Prepaid Tuition Program has no policy that would further limit the requirements under State law. As of June 30, 2018, the Illinois Prepaid Tuition Program's deposits held outside the State Treasury were not exposed to custodial credit risk.

Funds in the custody of the State Treasurer, or in transit, totaled $111,836 at June 30, 2018. These amounts are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Details on the nature of these deposits and investments, and the risks, are available within the State's Comprehensive Annual Financial Report.

At June 30, 2018, the Commission had no amounts that were uninsured and uncollateralized.

Investments: Other than the securities lending program administered by the State Treasurer, in which the Commission participates, all investments held by the Commission as of June 30, 2018, pertain to the Illinois Designated Account Purchase Program (IDAPP), and the Illinois Prepaid Tuition Program (College Illinois!®) fund, both of which are major enterprise funds.

Illinois Designated Account Purchase Program (IDAPP)

IDAPP categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At June 30, 2018, IDAPP had money market funds of $11,641 and U.S. Treasury securities of $3,955; valued based on matrix pricing provided by the custodian (Level 2 inputs). Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk: IDAPP invests its funds in a manner that meets its cash flow needs while conforming to state statutes governing the investment of funds, including without limitation the Investment Act and all requirements/limitations of the various documents applicable to bonds and other securities issued by ISAC. The portfolio's maturity characteristics at June 30, 2018 are as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Government securities (U.S. Treasury bills/notes)	$ 3,955	0.5

Credit Risk: IDAPP's investment policy limits the following types of investments to the top two ratings issued by nationally recognized credit rating organizations: commercial paper, state or municipal bonds, and bankers' acceptances. The investment policy places no further limitations on investment credit quality.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2018, IDAPP's investments were subject to credit risk (other than obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government which are not considered to have credit risk) as follows:

Investment Type	Fair Value	Rating Moody's
Money market funds	$ 11,641	Aaa-mf

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, IDAPP will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

The investment policy authorizes IDAPP to utilize a third party custodian (Trustee) to safe-keep the assets of the fund and to provide reports on a monthly basis to all necessary parties. The custodian is responsible for sweeping all interest and dividend payments and any other un-invested cash into a short-term government money market fund. IDAPP has no investments subject to custodial credit risk at June 30, 2018.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. IDAPP's investment policy requires IDAPP to diversify its investments by security type and institution. With the exception of the obligations set forth in the investment policy (direct federal obligations, federal guaranteed obligations, and federal affiliated institutions) or investments fully collateralized by these obligations, no more than 5% of IDAPP's total investment portfolio will be invested in the obligations of a single issuer.

As of June 30, 2018, there were no investments that exceed 5% or more of IDAPP's total investment portfolio.

Foreign Currency Risk: Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment. IDAPP is not exposed to foreign currency risk and, IDAPP's investment policy does not address foreign currency risk.

Illinois Prepaid Tuition Program

ISAC is required annually to adopt a comprehensive investment policy to invest the funds received through contract payments. The Commission approved the Illinois Prepaid Tuition Program's most recent revision to the investment policy in June 2018.

The comprehensive investment plan specifies the investment policies to be utilized by the Commission in its administration of the Illinois Prepaid Tuition Program. The Commission may direct that assets of the Program be invested in a manner that will 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 investments should be in compliance with all applicable federal and state laws and other statutes governing the investment of Illinois Prepaid Tuition Program resources.

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The Commission is required to adopt a sound asset allocation that is reviewed at least once every three years. The asset allocation establishes target weights for each asset class and is designed to maximize the long-term expected return of the Program within an acceptable risk tolerance while providing liquidity to meet Program liabilities.

The table below establishes the interim and long-term asset allocation targets. In order to minimize trading costs and market risk associated with transitioning to the long-term targets, Program cash flows will be used to move gradually toward the long-term target weights. Interim target weights are established for purposes of calculating the policy benchmark and for rebalancing controls.

	Targets		Rebalancing Range	
Asset Allocation	Long-term	Interim	Lower Limit	Upper Limit
U.S. equity	17.00%	18.00%	15.00%	21.00%
Non-U.S. equity	17.00%	18.00%	15.00%	21.00%
Fixed income	39.00%	32.00%	29.00%	35.00%
High yield	6.00%	5.00%	4.00%	6.00%
REIT	6.00%	5.00%	3.00%	7.00%
Absolute return	6.00%	8.00%	6.00%	10.00%
Real estate	4.00%	5.00%	N/A	N/A
Infrastructure	2.00%	5.00%	N/A	N/A
Private equity	1.00%	2.00%	N/A	N/A
Cash	2.00%	2.00%	0.00%	4.00%

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The primary benchmark (the "Policy Benchmark") for evaluating the performance of the Program 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 Program 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	18.00%
Non-U.S. Equity	MSCI ACWI xUS IMI	18.00%
Fixed Income	BC U.S. Aggregate	32.00%
High Yield	BofA MLHY	5.00%
REIT	MSCI US REIT	5.00%
Absolute Return	90-day T Bills +4%	8.00%
Real Estate	NCREIF ODCE	5.00%
Infrastructure	90-day T Bills +4%	5.00%
Private Equity	Russell 3000 + 3%	2.00%
Cash	90-day T-Bills	2.00%

ISAC has established investment guidelines for the investment managers and conducts thorough due diligence before the appointment of all investment managers. ISAC has retained Alinda Capital Partners, Ativo Capital Management, CM Growth Capital Partners LP, DDJ Capital Management, Dimensional Fund Advisors, Garcia Hamilton and Associates, Kennedy Wilson, Lyrical-Antheus Realty Partners, Mesirow Financial, Morgan Stanley AIP, Neuberger Berman, Pinnacle Asset Management, Portfolio Advisors, RhumbLine Advisers, Security Capital Research and Management, State Street Global Advisors, T. Rowe Price Associates and The Rohatyn Group as investment managers to assist with the investment of the Program assets for the Illinois Prepaid Tuition Program.

Use of funds invested on behalf of the Illinois Prepaid Tuition Program by the investment managers is restricted to the payout of tuition and fee benefits for Program beneficiaries and the administrative costs of running the program.

As of June 30, 2018, 19.1% of the funds were invested in Domestic Equities, 28.0% in Fixed Income, 17.8% in International Equities, 5.7% in Infrastructure Funds, 9.6% in Absolute Return Funds, 1.6% in Private Equity Funds, 6.1% in Real Estate, 5.6% in Real Estate Investment Trust, 4.7% in High Yield, and 1.8% in cash and equivalents.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments owned are reported at fair value or amortized cost as follows:

1. U.S. Government and Agency, Foreign and Corporate Obligations, Convertible Bonds – prices quoted by a major dealer in such securities;

2. Common Stock and Equity Funds, Preferred Stock, Foreign Equity Securities - (a) Listed – closing prices as reported on the composite summary of national securities exchanges; (b) Over-the-counter – bid prices;

3. Money Market Instruments – amortized cost which approximates fair values;

4. Real Estate Investments – fair values as determined by its investment managers and reviewed by Program investment staff and the investment consultant;

5. Private Equity, Absolute Return, and Infrastructure Funds – fair values as determined by its investment managers and reviewed by Program investment staff and the investment consultant. Valuations generally are based on the investee's last audited financial statements (generally December 31) and differences attributed to cash flows and subsequent events through June 30.

The Program's investment in REITs represents convertible debt, senior unsecured debt securities, and preferred and common equity securities. Investment strategies of private equity funds include secondary funds.

The Program's investments in infrastructure represent investments used to seek capital appreciation and current income by acquiring, holding, financing, refinancing and disposing of infrastructure investment and related assets. Infrastructure assets include various public works such as water utility, toll roads, inland barge terminals and a gas pipeline system.

The Program's investments in absolute return funds (funds of hedge funds) employ a broad range of diversifying investment strategies including arbitrage, global commodities, and global macro.

Private equity, real estate and infrastructure investment portfolios consist of passive interests in non-publicly traded companies. The Program had outstanding unfunded commitments of approximately $4 million to private equity partnerships and $5 million to infrastructure funds as of June 30, 2018.

Recoverable taxes are taxes paid by legacy international equity investment managers to foreign governments. ISAC's custodian then reclaims tax withheld on dividends and interest in markets where tax reclaim benefits are available. These legacy investment managers no longer have assets under management. Their accounts at the custodian consist solely of recoverable taxes.

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The Illinois Prepaid Tuition Program's cash recoverable taxes and investments at June 30, 2018 are presented below by investment type and by investment manager:

Investment Managers
Asset Allocation at June 30, 2018

Asset Class	Investment Manager	Fair Value	Asset Allocation
Large-cap core equity	Rhumbline Advisers	$ 56,414	6.94 %
All-cap core equity	Rhumbline Advisers	99,006	12.17
Total domestic equity		155,420	19.11
International equity	Ativo	72,853	8.96
International equity	Dimensional Fund Advisors	71,921	8.84
International equity recoverable taxes	Northern Trust	50	0.01
Total international equity		144,824	17.81
Fixed income - core plus	T. Rowe Price	77,743	9.56
Fixed income - passive core	State Street Global Advisors	77,530	9.53
Fixed income - U.S. intermediate	Garcia Hamilton	73,022	8.98
Total fixed income		228,295	28.07
High yield	DDJ Strategic Income Plus	38,521	4.74
Total high yield		38,521	4.74
REIT Preferred Growth	Security Capital Research	45,138	5.55
Total REIT		45,138	5.55
Real estate - private equity	Kennedy Wilson IV	6,340	0.78
Real estate - private equity	Mesirow	4,814	0.59
Real estate - private equity	Lyrical-Antheus	38,660	4.75
Total real estate		49,814	6.12
Infrastructure - diversified value add	Alinda Infrastructure	26,108	3.21
Infrastructure - Asia opportunities	The Rohatyn Group (formerly JP Morgan)	19,928	2.45
Total infrastructure		46,036	5.66
Absolute return fund - conservative	Neuberger Berman	50,792	6.24
Absolute return fund - commodities	Pinnacle Natural Resources	27,280	3.35
Total absolute return funds		78,072	9.59
Private equity secondary FoFs	CM Growth Capital Partners LP	6,858	0.84
Private equity secondary FoFs	Morgan Stanley	869	0.11
Private equity secondary FoFs	Portfolio Advisors	4,987	0.61
Total private equity		12,714	1.56
Total investments		798,834	98.21
Cash and equivalents	Northern Trust	13,762	1.69
Cash and equivalents	Illinois Treasury and lock box	769	0.10
Total cash equivalents		14,531	1.79
Total portfolio		$ 813,365	100.00 %

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investment Management Fees: The Program has contracted with Commission-approved investment managers to manage the assets of the Program. The investment managers serve as investors and investment advisors to the Program.

For certain investment managers the Program pays an investment management fee for investment management services. The investment management fee is based upon contractually agreed upon conditions and provisions. Investment management fees expense for these investment managers amounted to $397 for the year ended June 30, 2018 and is accounted for in the Statement of Revenues, Expenses, and Changes in Net Position.

Investment Managers who fall into the above category are listed below:

- Rhumbline Advisers
- State Street Global Advisors
- Garcia Hamilton
- T. Rowe Price

For certain investment managers the Program pays an investment advisory fee. The investment advisory fees are calculated based upon the terms and conditions agreed upon with each individual contractual agreement and are recognized as investment advisory fees expense in the Statement of Revenues, Expenses, and Changes in Net Position. Investment advisory expense as reflected in the Statement of Revenues, Expenses, and Changes in Net Position for Fiscal Year 2018 amounts to $2,170.

Investment Managers who fall into the second category above are listed below:

- Ativo
- Dimensional Fund Advisors
- Security Capital Research
- Neuberger Berman
- Pinnacle Natural Resources
- DDJ Strategic Income Plus

For certain alternative investment managers of private equity, infrastructure and real estate which are closed end funds and ISAC is a limited partner, the investment advisory fee is reflected in a slightly different way. If the investment management fees are outside of the Limited Partner's capital account then the fees are included as part of the investment advisory fees expense in the Statement of Revenues, Expenses, and Changes in Net Position. If the closed-end fund accounts for management fees within the Limited Partner's capital account, then management fee expense is included in the Net Asset Value calculation and would therefore be included in the income from investment securities on the Statement of Revenues, Expenses and Changes in Net Position.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investment managers who fall into the last category are listed below:

- Kennedy Wilson
- Lyrical-Antheus Realty Partners
- Mesirow Financial
- Alinda Capital Partners
- The Rohatyn Group
- CM Growth Capital Partners
- Portfolio Advisors
- Morgan Stanley AIP

Approximately $1,791 in investment advisory fees are included in the amount reported for income from investments for the Fiscal Year ending June 30, 2018 in the Statement of Revenues, Expenses, and Changes in Net Position. Additionally, these amounts are reflected in the carrying value on the Statement of Net Position.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Illinois Prepaid Tuition Program's policy for managing interest rate risk is to monitor duration against an appropriate benchmark index.

The duration of the portfolios, by Manager, for the fixed income securities (excluding real estate portfolio), compared to the benchmark index(s) is as follows:

	Average Duration	Barclays U.S. Aggregate Bond Index	Barclays Capital Int. Government/ Credit Index
Garcia Hamilton	2.7 years	N/A	3.9 years
SSGA U.S. Aggregate Bond Index (common collective trust)	6.0 years	6.0 years	N/A
T. Rowe Price	5.7 years	6.0 years	N/A

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Portfolio Weighted Average Maturity

Portfolio Weighted Average

Investment Type	Fair Value	Weighted Average Maturity (in Years)
U.S. Treasury notes	$ 32,378	5.94
U.S. Treasury bonds	6,886	28.08
U.S. agency obligations	12,761	1.24
Index linked government bonds (U.S. Treasuries)	2,337	6.70
Bond common collective trust	77,530	8.37
Municipal/provincial bonds	1,590	13.30
Non U.S. government bonds denominated in U.S. dollars	821	8.86
Non U.S. government bonds denominated in foreign currency	669	9.49
Foreign government agencies denominated in U.S. dollars	413	13.34
Multi-sector funds	41,461	8.52
Government agency short-term bills and notes	1,750	0.01
Corporate debt securities	24,536	3.77
Corporate asset-backed securities	6,729	12.39
Mortgage back securities (MBS):		
Government agencies	9,153	12.29
Non-government backed	2,354	33.97
Commercial	4,277	26.64
Total fair value	$ 225,645	
Portfolio weighted average maturity		8.61

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The operational guidelines for actively-managed bond managers set forth in the Illinois Prepaid Tuition Program investment policy are:

- The weighted average credit quality of portfolio holding will not fall below A- or equivalent.
- No more than 20% of the portfolio will be invested in issues rated below Baa3 or BBB-, A2 or P2.
- No more than 10% in non-U.S. securities (dollar and non-dollar) rated below investment grade.
- 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.

The following tables indicate credit ratings, as of June 30, 2018, for the Program's debt security investments (other than obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government which are not considered to have credit risk). Ratings for debt security investments that have multiple ratings are on the following page:

Credit Ratings (Excludes Multiple-Rated Securities)
June 30, 2018

	Total Fair Value	Moody's**
Money marketing mutual funds	$ 13,762	NR
Illinois fund	58	NR
Bond common collective trust	77,530	NR
Multi-sector funds	41,461	NR
Government agency short-term bills and notes	1,750	NR
Non U.S. government bonds denominated in U.S. dollars	413	Baa
U.S. agency obligations	12,761	Aaa

*NR - Not rated

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Ratings (Multiple-Rated Securities)
June 30, 2018

Rating Agency		Credit Rating*	Total Fair Value
Moody's	Commercial mortgage-backed	Aaa	$ 1,270
	Commercial mortgage-backed	Aa	699
	Commercial mortgage-backed	A	466
	Commercial mortgage-backed	NR	1,842
			4,277
Moody's	Corporate asset backed securities	Aaa	1,976
	Corporate asset backed securities	Aa	1,164
	Corporate asset backed securities	A	463
	Corporate asset backed securities	Baa	656
	Corporate asset backed securities	Ba	74
	Corporate asset backed securities	NR	2,396
			6,729
Moody's	Corporate bonds	Aa	1,403
	Corporate bonds	A	21,012
	Corporate bonds	Baa	1,693
	Corporate bonds	NR	428
			24,536
Moody's	Municipal/provincial bonds	Aaa	208
	Municipal/provincial bonds	Aa	1,064
	Municipal/provincial bonds	A	112
	Municipal/provincial bonds	NR	67
	Municipal/provincial bonds	WR	139
			1,590

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Ratings (Multiple-Rated Securities)
June 30, 2018

Rating Agency		Credit Rating	Total Fair Value
Moody's	Non-government backed CMOs	Aaa	$ 302
	Non-government backed CMOs	Aa	580
	Non-government backed CMOs	Baa	290
	Non-government backed CMOs	NR	1,182
			2,354
Moody's	Non-U.S. government bonds in U.S. dollars	Aa	204
	Non-U.S. government bonds in U.S. dollars	A	49
	Non-U.S. government bonds in U.S. dollars	Baa	202
	Non-U.S. government bonds in U.S. dollars	Ba	193
	Non-U.S. government bonds in U.S. dollars	B	173
			821
Moody's	Non-U.S. government bonds in foreign currency	A	185
	Non-U.S. government bonds in foreign currency	Ba	161
	Non-U.S. government bonds in foreign currency	NR	323
			669
Moody's	Mortgage-backed securities, government agencies	A	420
	Mortgage-backed securities, government agencies	Aa	148
	Mortgage-backed securities, government agencies	Baa	650
	Mortgage-backed securities, government agencies	B	150
	Mortgage-backed securities, government agencies	NR	7,785
			9,153

* NR - Not rated; WR - withdrawn

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Illinois Prepaid Tuition Program will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Program does not have an investment policy for custodial credit risk for investments, including the Illiquid Trust, prior to its sale.

The Illinois Prepaid Tuition Program is not exposed to custodial credit risk at June 30, 2018.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The operational guidelines as set forth in the Illinois Prepaid Tuition Program's investment policy indicate:

- For fixed income managers no more than 5% of the fixed income portfolio at time of purchase may be invested in any one company, except for U.S. government or agency issues.
- For investments in international equity, investment in any one issuer shall not exceed five percent of the market value of the portfolio at the time of purchase. No more than ten percent of the market value of the portfolio may be held in any one issuer at any time. Investment in any one company in the portfolio may be no more than ten percent of the total market value of that company.
- For investments in domestic equity, investment in any one issuer shall not exceed five percent of the market value of the portfolio at the time of purchase. No more than ten percent of the market value of the portfolio may be held in any one issuer at any time. Investment in any one company in the portfolio may be no more than ten percent of the total market value of that company.

As of June 30, 2018, there were no investments subject to concentration of credit risk.

Foreign Currency Risk: Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment.

The Illinois Prepaid Tuition Program's investments in international equity are in compliance with the guidelines of the investment policy. As of June 30, 2018, 17.8% is invested in international equities.

Certain alternative investments denominated in U.S. dollars have underlying investments in other currencies including the Indian rupee. Fluctuations in foreign exchange rates between the U.S. dollar and other currencies could have an effect on the amounts realized in U.S. dollars involving these investments. The Program has the following investments denominated in foreign currency.

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments Denominated in Foreign Currency
June 30, 2018
Fair Value in U.S. Dollars

Foreign Currency Denomination	Fixed Income	Pending Trades Fixed Income Investments	Totals
Brazilian real	$ 161	$ -	$ 161
Hungarian forint	323	(347)	(24)
Peruvian nuevo sol	185	-	185
Total	$ 669	$ (347)	$ 322

Valuation: The Program categorizes its fair value measures within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs (see page 37-38); and leveling is not required for investments held at amortized cost. The Program has the following as of June 30, 2018:

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments Measured at Fair Value

Investments by fair value level	June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Leveling Not Required
Debt securities				
U.S. Treasury notes	$ 32,378	$ -	$ 32,378	$ -
U.S. Treasury bonds	6,886	-	6,886	-
U.S. agency obligations	12,761	-	12,761	-
U.S. index linked government bonds	2,337	-	2,337	-
Municipal/provincial debt	1,590	-	1,590	-
Corporate debt securities	24,536	-	24,536	-
Corporate asset-backed securities	6,729	-	6,729	-
Foreign government bonds denominated in U.S. dollars	821	-	821	-
Foreign government agencies denominated in U.S. dollars	413	-	413	-
Foreign debt securities (non U.S. government bonds denominated in foreign currency)	669	-	669	-
Government agency short-term bills and notes	1,750	-	1,750	-
Commercial mortgage backed	4,277	-	4,277	-
Government mortgage backed	9,153	-	9,153	-
Multi-sector funds	41,461	-	41,461	-
Common collective trust	77,530	-	77,530	-
Non government backed CMO	2,354	-	2,354	-
Corporate equity securities	155,420	155,420	-	-
Foreign equity securities	71,921	71,921	-	-
Money market mutual funds	13,762	-	-	13,762
Cash and pending trades	2,997	-	-	2,997
Cash and pending trades in foreign currency	(348)	-	-	(348)
Equity in public treasurer's investment pool (Illinois Funds)	58	-	-	58
Total investments by fair value level	$ 469,455	$ 227,341	$ 225,645	$ 16,469

(Continued)

(Dollars in thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments measured at the net asset value (NAV)	June 30, 2018
Real estate investment trust	$ 45,138
Real estate	49,814
Private equity	12,714
Infrastructure	46,036
Foreign equity	72,853
Absolute return	78,072
High yield fund	38,521
Total investment measured at the NAV	$ 343,148
Total investments measured at fair value or amortized cost	$ 812,603

The valuation method of investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

	Fair Value	Unfunded Commitments	Redemption Frequency If Currently Eligible	Redemption Notice Period
Real estate investment trust	$ 45,138	$ -	Quarterly	30 days notice
Real estate	49,814	-	N/A	N/A
Private equity	12,714	3,547	N/A	N/A
Infrastructure	46,036	4,738	N/A	N/A
Foreign equity	72,853		Monthly	15 days notice
Absolute return	78,072	-	Annual	65 and 180 days notice
High yield fund	38,521	-	Quarterly	60 days notice
Total investments measured at NAV	$ 343,148	$ 8,285		

Real estate investment trust: This investment manager opportunistically sources, structures and executes investments in real estate operating companies. The fair values of the investment in this type have been determined using the NAV per share of the investment. This investment can be redeemed quarterly with 30 days' notice. A liquidating account may be used during period of market stress to provide orderly liquidation.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Real estate: This type includes four real estate funds that invest primarily in U.S. commercial and residential real estate. The fair values of the investments in this type have been determined using the NAV per share of the Program's ownership invest in partners' capital with the exception of Lyrical Antheus Realty Partners III, LP where the partners' capital which is recognized at cost basis on their financial statements has been adjusted to reflect the investment on a fair value basis (see Note 11 for details). These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next six years with 10%, 50% and 100% (varies by investment manager) within state Fiscal Year 2019.

Private equity: This type includes three private equity funds. One holds portfolio securities. A second fund acquires, holds and disposes of investments in secondary opportunities. The third fund invests in a diversified portfolio of private equity limited partnerships purchased in the secondary market. The fair values of the investments in this type have been determined using the NAV per share of the Program's ownership investment in partners' capital. These investments can never be redeemed within the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the funds. It is expected that the underlying assets of the funds will be liquidated over the next six years with 20% to 100% (varies by investment manager) within state Fiscal Year 2019.

Infrastructure: This type includes two infrastructure funds which invest in infrastructure and related assets in the United States, Asia and Europe. The fair values of the investments in this type have been determined using the NAV per share of the Program's ownership invest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next six years with 10% to 20% (varies by investment manager) within state Fiscal Year 2019.

Absolute return: This type includes two absolute return funds of funds. One targets consistent, positive absolute returns with minimal beta to major equity and fixed income markets. The other is a multi-manager fund in the global commodity and commodity related markets. The fair values of the investments in this type have been determined using the NAV per share of the Program's ownership invest in partners' capital. Both have annual liquidity with quarterly liquidity available for a fee. Both have fund level gate thresholds of 20% to 25% of fund assets. Both will withhold a percentage pending the completion of the annual audit. A ten million redemption was initiated in June 2018 for distribution September 30, 2018.

High yield: This type seeks income and gains through trading and investing in securities. The fair value of the investment in this type has been determined using the NAV per share of the Program's ownership invest in partners' capital. Ninety percent of liquid securities are available within 30 days of quarter end with 60 days' notice prior to quarter end. Up to 25% of the fund may be invested in illiquid securities. Ten percent of any withdrawal may be held until 30 days following the annual audit. As of June 30, 2018, $199 was held in a liquidating account related to prior redemptions.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Foreign equity: This type includes two international equity funds. DFA World ex US Core Equity Portfolio is a mutual fund. They strike a daily price each evening following a trading day. The other fund Ativo International Equity Fund invests in undervalued companies that display above average growth characteristics, domiciled in, or primarily exposed to developed and emerging countries outside of the United States.

Securities Lending - Student Loan Operating Fund and Federal Student Loan Fund: Cash and cash equivalents in the Commission's non-major proprietary funds namely the Federal Student Loan Fund and the Student Loan Operations Fund consist of deposits held in the State Treasury. The Illinois Office of the Treasurer invests the deposits held and allocates investment income to the two funds on a monthly basis.

Under the authority of the Treasurer's published investment policy that was developed in accordance with State statute, the State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank AG to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During Fiscal Year 2018, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during the fiscal year on the amount of the loans of available eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or Deutsche Bank AG.

During the fiscal year, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investment made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. For the portion related to the Commission's non-major proprietary funds, namely the Federal Student Loan Fund and the Student Loan Operating Fund, securities lending collateral (invested in repurchase agreements) and the corresponding securities lending collateral obligation as of June 30, 2018 were $16,495 and $23,599, respectively.

(Continued)

NOTE 4 - STUDENT LOANS RECEIVABLE

IDAPP's student loans receivable balance is comprised of two types of student loans: loans that were originated or purchased as part of the Federal Family Education Loan Program (FFELP) and loans that are originated as part of IDAPP's Alternative Loan Program. The FFEL Program was eliminated as of June 30, 2010 and as such IDAPP no longer originates FFELP loans.

All FFELP loans originated or purchased by IDAPP prior to October 1, 1993 are guaranteed at 100% by Guarantors in accordance with the Higher Education Act. For loans disbursed between October 1, 1993 and prior to July 1, 2006 the loans are guaranteed at 98%. Loans disbursed after July 1, 2006 are guaranteed at 97%. All guaranteed loans are reinsured by the United States Department of Education (ED). ED has issued detailed loan servicing requirements, which, if not strictly adhered to, may result in the loss of the loan guaranty. The United States Department of Education has also issued specific guidelines to provide for the cure of such servicing deficiencies and the reinstatement of the guaranty. For servicing contracts established with outside vendors, contractual provisions require the contractors to indemnify IDAPP for losses due to their negligence in loan servicing. Such recoveries will be recognized as income when received. There is $578 of student loans receivable that IDAPP has classified as defaulted loans under the FFEL Program. Claims on these loans have been submitted to, but have not been reimbursed by, the guarantee agencies as of June 30, 2018.

Alternative Loans are not guaranteed by Guarantors and are not eligible for reinsurance by ED. Alternative Loans are credit-based and a provision for loan loss is accrued for the amount of the loans estimated to be uncollectible. The total amount of Alternative Loans outstanding was $157,701 at June 30, 2018. Of this amount, $65,647 was recorded as a provision for loan losses.

Management has identified loans that may not be reimbursed by the guarantor or collected from the student. Accordingly, management has established an allowance for possible loan losses totaling $67,863 as of June 30, 2018. This amount includes the alternative loans addressed above.

Included in the student loans receivable balance are premiums paid on the origination and purchase of certain student loans. These premiums are being amortized over the average life of the related loans.

<u>Federal Student Loan Fund</u>: ISAC's Federal Student Loan Programs maintain a fund that is on deposit with the State Treasurer known as the Illinois Student Assistance Commission Federal Student Loan Fund. This fund is used to pay defaulted loan claims. Receipts of this fund include reinsurance receipts from ED.

The cash balance in this fund as of June 30, 2018 as reported by ISAC was $39,325. Restricted net position, which includes $21,631 of claims in process, was $46,331. If the federal reinsurance percentage applied to guarantors was temporarily reduced from 97% to either 85% or 75% (for loans disbursed after October 1, 1998) due to excessive default claims and if the State's pledge of full faith and credit were found to be ineffective, then the full collectability of the non-federal reinsurance amount (i.e., 3% to 25%) of the IDAPP's net FFELP student loans receivable of $224,502 at June 30, 2018 is subject to the adequacy of the annual appropriation from the Illinois Student Assistance Commission Federal Student Loan Fund and the reserve funds of the other Guarantors to pay defaulted loan claims. However, based on past loan default experience, management believes that material losses will not be incurred.

(Continued)

(Dollars in thousands)

NOTE 5 - FEDERAL SPECIAL ALLOWANCE AND INTEREST SUBSIDY

The Federal government pays IDAPP (interest subsidy) or IDAPP owes the federal government (excess interest) an interest amount on certain student loans during the time that the student is enrolled in an eligible educational institution or qualifies for deferment status. The federal interest payable at June 30, 2018 was $534.

IDAPP is also eligible to receive special allowance payments from the federal government that are paid to adjust for the low yield on student loans in comparison to other investment sources. In addition IDAPP owes the federal government excess interest on the portfolio.

Federal interest benefits	$ 719
Special allowance payments (interest subsidy)	1,041
Excess interest	(2,771)
Net expense incurred to DOE	$ (1,011)

NOTE 6 - INTERFUND BALANCES AND ACTIVITY

Balances Due To/From Other Funds: The balances at June 30, 2018 represent amounts due from other ISAC and State funds and component units as follows:

Fund	Due from Primary Government Funds ISAC	Due from Primary Government Funds Other State	Due From Component Units	Description/Purpose
General	$ -	$ -	$ 5	Due from State universities for scholarship and grants.
	-	-	5	
Nonmajor Enterprise - Student Loan Operating	$ 2,023	$ -	$ -	Due from IDAPP Fund for shared services
	213	-	-	Due from Illinois Prepaid Tuition Fund for shared services
	-	8	-	Due from IDES for services provided.
	-	6	-	Due from Department of Veterans' Administration for rent and expenses.
	-	135	-	Due from Central Management Services (on behalf of DCFS) for rent and expenses
	-	2	-	Due from Healthcare and Family Services for rent and expenses
	2,236	151	-	
	$ 2,236	$ 151	$ 5	

(Continued)

(Dollars in thousands)

NOTE 6 - INTERFUND BALANCES AND ACTIVITY (Continued)

The balances at June 30, 2018 represent amounts due to other ISAC and State funds and component units as follows:

Fund	Due to Primary Government Funds ISAC	Due to Primary Government Funds Other State	Due To Component Units	Description/Purpose
General	$ -	$ -	$ 222	Due to State universities for scholarship and grants.
	-	-	222	
Education Assistance	$ -	$ -	$ 21	Due to State universities for scholarship and grants.
	-	-	21	
Illinois Designated Account Purchase program	$ 2,023	$ -	$ -	Due to Student Loan Operating Fund for shared services
	2,023	-	-	
Nonmajor Governmental - Gear Up Grant	-	5	-	Due to Central Management Services for EDP, communications
	-	5	-	and garage fund
Nonmajor Enterprise - Student Loan Operating	-	158	-	Due to Central Management Services for EDP, communications
	-	158	-	and garage fund
Illinois Prepaid Tuition Program	213	-	-	Due to Student Loan Operating Fund for shared services
	-	-	519	Due to State universities for payment of tuition contracts
	213	-	519	
	$ 2,236	$ 163	$ 762	

(Continued)

(Dollars in thousands)

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities				
Capital assets not being depreciated:				
Land	$ 2,700	$ -	$ -	$ 2,700
Capital assets being depreciated:				
Buildings	19,229	-	-	19,229
Equipment	51	-	-	51
Total capital assets being depreciated	19,280	-	-	19,280
Less accumulated depreciation:				
Buildings	(11,811)	(504)	-	(12,315)
Equipment	(51)	-	-	(51)
Total accumulated depreciation	(11,862)	(504)	-	(12,366)
Total capital assets being depreciated, net	7,418	(504)	-	6,914
Governmental activities capital assets, net	$ 10,118	$ (504)	$ -	$ 9,614

(Continued)

(Dollars in thousands)

NOTE 7 - CAPITAL ASSETS (Continued)

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Business-type activities				
Illinois Designated Account Purchase Program Fund:				
Capital assets being depreciated				
Equipment	$ 224	$ -	$ -	$ 224
Less accumulated depreciation				
Equipment	(224)	-	-	(224)
Total capital assets being depreciated, net	-	-	-	-
Nonmajor Enterprise Funds:				
Capital assets not being depreciated				
Construction in progress	-	-	-	-
Capital assets being depreciated				
Equipment and automobiles	728	148	(21)	855
Internally generated software	3,357	-	-	3,357
Less accumulated depreciation	-			-
Equipment and automobiles	(367)	(93)	21	(439)
Internally generated software	(1,596)	(334)	-	(1,930)
Total capital assets being depreciated, net	2,122	(279)	-	1,843
Business-type activities capital assets, net	$ 2,122	$ (279)	$ -	$ 1,843

Depreciation expense for governmental activities on the Government-wide Statement of Activities for the year ended June 30, 2018 amounted to $504. Of that amount, 100% was charged to the Scholarships, awards and grants function.

(Continued)

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

Revenue Bonds and Notes Payable and Pledged Revenues: On October 27, 2010, ISAC entered into a Bond Purchase Agreement with a group of underwriters to sell $604,000 Student Loan Asset Backed Notes, Series 2010-1 (LIBOR Floating Rate Notes). The Notes were issued in three tranches. The Class A-1 tranche is $181,000 maturing April 25, 2017 with a rate of 3-Month LIBOR plus 0.48%, the Class A-2 tranche is $269,000 maturing April 25, 2022 with a rate of 3-Month LIBOR plus 1.05% and the Class A-3 tranche is $154,000 maturing July 25, 2045 with a rate of 3-Month LIBOR plus 0.90%. The variable interest rate for the debt is reset every quarter. The proceeds from the sale of the Notes were used to make the initial deposits to the Capitalized Interest Fund, the Reserve Fund, a portion of the initial deposit to the Loan Fund, and to pay acquisition costs. The remaining proceeds were used to purchase and cancel certain outstanding bonds (2002 Resolution Trust Bonds). The FFELP loans released from the 2002 Resolution Trust were deposited into the Loan Fund.

The indenture has a provision that any excess cash in the trust is used to pay down the principal amount of the Notes. The Class A-1 tranche has been paid off. $255,975 of the Class A-2 tranche has been paid off leaving a balance of $13,025. The total principal and interest remaining to be paid on the bonds is approximately $304,668. IDAPP has until the stated maturity dates to retire the principal amounts owed on these bonds. As such, liabilities related to these bonds are reported as noncurrent. IDAPP however will pay principal amounts in advance of that date (without penalty) as collections on the resulting student loans are received into the trust. As of June 30, 2018 variable interest rates were 3.40954% and 3.25954% for the LIBOR FRN Class A-2 and A-3, respectively.

Annual principal and interest payments on the bonds are expected to require approximately 98 percent of the related student loan collections. Principal and interest paid for the current year were $30,950 and $4,608, respectively. Total related student loan principal and interest received were $32,314 and $5,298, respectively.

As a result of the issuance of the LIBOR Floating Rate Notes and the purchase and cancellation of the remaining outstanding 2002 bonds during Fiscal Year 2011, a deferred amount on refunding of $70,320 was recorded. This amount is being amortized over the weighted average life of the LIBOR Floating Rate Notes of 16 years. The portion attributable to Fiscal Year 2018 is $4,043. Amortization is included as a reduction of interest expense on the Statement of Revenues, Expenses, and Changes in Fund Net Position.

(Continued)

(Dollars in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE (Continued)

Changes in Long-Term Obligations: Changes in long-term obligations for the year ended June 30, 2018, were as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due Within One Year
Governmental activities					
Other long-term obligations					
Compensated absences	$ -	$ 212	$ 54	$ 158	$ 16
	$ -	$ 212	$ 54	$ 158	$ 16
Business-type activities					
Illinois Designated Account Purchase Program Fund:					
Revenue bonds/notes payable:					
Series 2010, Class A-2	$ 43,975	$ -	$ (30,950)	$ 13,025	$ -
Series 2010, Class A-3	154,000	-	-	154,000	-
Unamortized discounts	(5,842)	-	208	(5,634)	-
Other long-term obligations					
Compensated absences	35	40	(15)	60	6
Total Illinois Designated Account Purchase Program	192,168	40	(30,757)	161,451	6
Illinois Prepaid Tuition Program					
Tuition obligation	1,235,714	38,143	(148,572)	1,125,285	150,056
Total Illinois Prepaid Tuition Program	1,235,714	38,143	(148,572)	1,125,285	150,056
Nonmajor Enterprise Fund:					
Compensated absences	1,927	1,197	(1,400)	1,724	204
Total Nonmajor Enterprise Fund	1,927	1,197	(1,400)	1,724	204
Total Business-type activities Long-term obligations, net	$ 1,429,809	$ 39,380	$ (180,729)	$ 1,288,460	$ 150,266

(Continued)

(Dollars in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE (Continued)

Future Maturities of Revenue Bonds and Notes: IDAPP issued bonds and notes to provide funds for student loan originations and purchases. IDAPP pledges the income derived from its assets to pay debt service. The majority of IDAPP's outstanding revenue bonds and notes are comprised of variable rate debt. As such, the interest figures shown below are calculated assuming the interest rate in effect on June 30, 2018. Actual interest paid in future years could be materially different.

Annual debt service requirements to maturity for revenue bonds and notes are as follows:

Year Ending June 30	Principal	Interest	Total
2019	$ -	$ 5,464	$ 5,464
2020	-	5,464	5,464
2021	-	5,464	5,464
2022	13,025	5,464	18,489
2023	-	5,020	5,020
2024-2028	-	25,098	25,098
2029-2033	-	25,098	25,098
2034-2038	-	25,098	25,098
2039-2043	-	25,098	25,098
2044-2046	154,000	10,375	164,375
	167,025	$ 137,643	$ 304,668
Plus (minus)			
Unamortized discounts	(5,634)		
Net long-term principal outstanding	$ 161,391		

(Continued)

(Dollars in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE (Continued)

Tuition Obligation: The tuition obligation is management's estimate of the present value of the estimated tuition payments to be made and is expected to be financed from investments of prepaid tuition contracts. The estimate for the future tuition obligation is based on a closed group projection for existing contracts assuming no new contract sales after June 30, 2018. See actuarial assumptions and additional information in Note 13.

Tuition obligation activity for the year ended June 30, 2018, is as follows:

Balance, July 1, 2017	$ 1,235,714
Add:	
Contributions received in FY 2018	14,334
Change in contracts receivable, at present value*	(12,963)
Adjust tuition obligation based on actuarial valuation	36,772
Less:	
Return of contributions	(22,591)
Tuition payments	(125,981)
Balance as of June 30, 2018 **	$ 1,125,285
Reported as:	
Current	$ 150,056
Noncurrent	975,229
	$ 1,125,285

* Discount rate used in determining fair value was 6.25%.

** The accreted tuition expense is calculated at least annually by the Commission's actuary and is an estimate based on the average increase in tuition for Illinois colleges. Accreted tuition expense is reflected as an expense in the Statement of Revenues, Expenses, and Changes in Net Position and as an increase (or decrease) to the tuition obligation on the Statement of Net Position.

(Dollars in thousands)

NOTE 9 - MID-TERM CREDIT FACILITY AND SHORT TERM REVOLVING CREDIT LINE AND PLEDGED REVENUES

On July 27, 2007, ISAC entered into a Three-Year Asset Backed Revolving Credit Facility (the "Facility") through an affiliate of Citibank (the "Lender") pursuant to which ISAC has borrowed funds for the purpose of purchasing certain student loans. Advances made under the Facility are secured by a portfolio of student loans (the "Collateral"), which were largely financed with proceeds of the advances. Amounts due under the Facility constitute limited obligations of ISAC, payable solely and only from the Collateral and the revenues derived therefrom. The costs of borrowing under the Program will not exceed Citibank's commercial paper rate. The rate at June 30, 2018 was 1.98246%.

On July 27, 2010, the Facility became due and payable. Due to conditions currently existing in the credit markets, ISAC has been unable to refinance this debt and is currently in default under the Facility. Citibank has reserved its rights to remedies in the Indenture. Conversations with Citibank are on-going but no resolution has been reached.

Under the terms of the agreement all revenues generated by the underlying student loan portfolio are transferred to a trust. The trust pays all expenses related to the debt service and student loan servicing costs (capped at 65 basis points of the outstanding average balance in the portfolio). During Fiscal Year 2018 there was $20,304 in principal and $5,169 in interest collected all of which was transferred to the trust. During the same period the trust paid $2,358 for interest expense and other professional fees and $1,152 for servicing fees.

Changes in the revolving credit line are as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due Within One Year
Citibank	$ 135,457	$ -	$ (21,800)	$ 113,657	$ 113,657

NOTE 10 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and natural disasters. The State retains the risk of loss (i.e., self-insured) for these risks except for insurance purchased by the Commission for the building and EDP equipment. There has been no reduction in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded coverage for the current or prior two fiscal years. The Commission's risk management activities for workers' compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Commission and accordingly, have not been reported in the Commission's financial statements for the year ended June 30, 2018.

The Commission's risk management activities for the building and EDP equipment are financed through appropriations to the Commission and are reported as part of the operating expenditures/expenses in the General Fund, Student Loan Operating Fund, and IDAPP funds. The Commission has made no material claim against the insurance coverage in the last three years.

(Continued)

(Dollars in thousands)

NOTE 11 - DEFINED BENEFIT PENSION PLAN

Plan Description: Substantially all of the Commission's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a single-employer defined benefit pension trust fund in the State of Illinois reporting entity. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). The plan consists of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State's retirement plans on or after January 1, 2011 are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011. The provisions below apply to both Tier 1 and 2 members, except where noted. The SERS issues a separate CAFR available at www.srs.illinois.gov or that may be obtained by writing to the SERS, 2101 South Veterans Parkway, P.O. Box 19255, Springfield, Illinois 62794-9255.

Benefit Provisions: SERS provides retirement benefits based on the member's final average compensation and the number of years of service credit that have been established. The retirement benefit formula available to general State employees that are covered under the Federal Social Security Act is 1.67% for each year of service and for noncovered employees it is 2.2% for each year of service. The maximum retirement annuity payable is 75% of final average compensation for regular employees and 80% for alternative formula employees. The minimum monthly retirement annuity payable is $15 for each year of covered service and $25 for each year of noncovered service.

Members in SERS under the Tier 1 and Tier 2 receive the following levels of benefits based on the respective age and years of service credits.

Regular Formula Tier 1	Regular Formula Tier 2
A member must have a minimum of eight years of service credit and may retire at: • Age 60, with 8 years of service credit. • Any age, when the member's age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with eight years of credited service. • Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60). The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service.	A member must have a minimum of 10 years of credited service and may retire at: • Age 67, with 10 years of credited service. • Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67). The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of $106.8. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.

(Continued)

(Dollars in thousands)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Regular Formula Tier 1	Regular Formula Tier 2
Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement. If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.	If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2017 rate is $112.4. If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2. The retirement formula is 2.5% for each year of covered service and 3.0% for each year of non-covered service. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least 18 months of credited service with the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through the System. Certain nonoccupational death benefits vest after 18 months of credited service. Occupational death benefits are provided from the date of employment.

<u>Contributions</u>: Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed $106.8 with limitations for future years increased by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2018, this amount was $113.6.

(Dollars in thousands)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

The State is required to make payment for the required Commission's employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of the System to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

For fiscal year 2018, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2018, the employer contribution rate was 47.342%. The Commission's contribution amount for fiscal year 2018 was $3,758. In addition, the Commission recorded $2,334 of revenue and expenditures in the General Revenue account of the General Fund to account for on-behalf payments to SERS for Commission's employees.

Pension liability, deferred outflows of resources, deferred inflows of resources and expense related to pensions: At June 30, 2018, the Commission reported a liability of $94,934 for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2017 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's portion of the net pension liability was based on the Commission's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2017. As of the current year measurement date of June 30, 2017, the Commission's proportion was 0.288%, which was a decrease of 0.023% from its proportion measured as of the prior year measurement date of June 30, 2016.

For the year ended June 30, 2018, the Commission recognized pension expense of $7,521. At June 30, 2018, the Commission reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2017, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 57	$ 3,080
Changes in assumptions	10,031	2,028
Net difference between projected and actual investment earnings on pension plan investments	85	-
Changes in proportion	27,892	36,397
Commission contributions subsequent to the measurement date	6,092	-
Total	$ 44,157	$ 41,505

(Continued)

(Dollars in thousands)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

$6,092 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Amount
2019	$ (1,250)
2020	(432)
2021	(394)
2022	(1,364)
Total	$ (3,440)

Actuarial Methods and Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality:	105 percent of the RP2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added.
Inflation:	2.75%
Investment Rate of Return:	7.00%, net of pension plan investment expense, including inflation.
Salary increases:	Salary increase rates based on age related productivity and merit rates plus inflation.
	Post-retirement benefit increases of 3.00%, compounded, for Tier 1 and the lessor of 3.00% or one-half of the annual increase in the Consumer Price Index for Tier 2.
Retirement Age:	Experience-based table of rates specific to the type of eligibility condition. Table was last updated for the June 30, 2014, valuation pursuant to an experience study of the period July 1, 2009 to June 30, 2013.

(Dollars in thousands)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

The long-term expected real rate of return on pension plan investments is determined using the best estimates of geometric real rates of return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2017, the best estimates of geometric real rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	23 %	5.50 %
Developed Foreign Equity	13	5.30
Emerging Market Equity	8	7.80
Private Equity	7	7.60
Intermediate Investment Grade Bonds	14	1.50
Long-term Government Bonds	4	1.80
TIPS	4	1.50
High Yield and Bank Loans	5	3.80
Opportunistic Debt	8	5.00
Emerging Market Debt	2	3.70
Core Real Estate	6	3.70
Non-core Real Estate	5	5.90
Infrastructure	1	5.80
	100 %	

Discount Rate: A discount rate of 6.78% was used to measure the total pension liability as of the measurement date of June 30, 2017 as compared to a discount rate of 6.64% used to measure the total pension liability as of the prior year measurement date. The June 30, 2017 single blended discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.56%, based on an index of 20 year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The net pension liability for the plan was calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as shown below:

(Continued)

(Dollars in thousands)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

	1% Decrease 5.78%	Discount Rate 6.78%	1% Increase 7.78%
Commission's proportionate share of the net pension liability	$117,685	$ 97,259	$80,542

Payables to the pension plan: At June 30, 2018, the Commission reported a payable of $6 to SERS for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE 12 - POST-EMPLOYMENT BENEFITS

Plan description. The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the Illinois State Employees Group Insurance Program (SEGIP) to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the Commission's full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees' Retirement System of Illinois (SERS), Teachers' Retirement System (TRS), and State Universities Retirement System of Illinois (SURS) are eligible for these other post-employment benefits (OPEB). The eligibility provisions for each of the retirement systems are defined within Note 12. Certain TRS members eligible for coverage under SEGIP include: certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees and members with certain reciprocal service.

The Department of Central Management Services administers these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (GARS, JRS, SERS, TRS and SURS). The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan. The plan does not issue a stand-alone financial report.

Benefits provided. The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes $5.

(Continued)

NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

Funding policy and annual other postemployment benefit cost. OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2018, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $11 ($6 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $15 ($5 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB. The total OPEB liability, as reported at June 30, 2018, was measured as of June 30, 2017, with an actuarial valuation as of June 30, 2016. At June 30, 2018, the Commission recorded a liability of $67,680 for its proportionate share of the State's total OPEB liability. The Commission's portion of the OPEB liability was based on the Commission's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2017. As of the current year measurement date of June 30, 2017, the Commission's proportion was 0.16%, which was a decrease of 0.028% from its proportion measured as of the prior year measurement date of June 30, 2016.

(Continued)

NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

The Commission recognized OPEB expense for the year ended June 30, 2018, of $1,457. At June 30, 2018, the Commission reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2017, from the following sources (amounts expressed in thousands):

Deferred outflows of resources		
Differences between expected and actual experience	$	22
Changes in proportion and differences between employer contributions and proportionate share of contributions		4,049
Commission contributions subsequent to the measurement date		971
Total deferred outflows of resources	$	5,042
Deferred inflows of resources		
Changes of assumptions	$	6,426
Changes in proportion and differences between employer contributions and proportionate share of contributions		12,660
Total deferred inflows of resources	$	19,086

The amounts reported as deferred outflows of resources related to OPEB resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Year Ended June 30,	Amount
2019	$ (3,376)
2020	(3,376)
2021	(3,376)
2022	(3,376)
2023	(1,511)
Total	$ (15,015)

(Continued)

(Dollars in thousands)

NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

Actuarial methods and assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2016, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2016.

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.75%
Projected Salary Increases*	3.00% - 15.00%
Discount Rate	3.56%
Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8.0 % grading down 0.5% in the first year to 7.5%, then grading down 0.01% in the second year to 7.49%, followed by grading down of 0.5% per year over 5 years to 4.99% in year 7
Medical (Post-Medicare)	9.0% grading down 0.5% per year over 9 years to 4.5%
Dental	7.5% grading down 0.5% per year over 6 years to 4.5%
Vision	3.00%
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2017 and 2018 are based on actual premiums. Premiums after 2018 were projected based on the same healthcare cost trend rates applied to per capita claim costs but excluding the additional trend rate that estimates the impact of the Excise Tax.

* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.

(Continued)

(Dollars in thousands)

NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2016 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study^	Mortality^^
GARS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
JRS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
SERS	July 2009 - June 2013	105 percent of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added
TRS	July 2011 - June 2014	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2014
SURS	July 2010 - June 2014	RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants

^ The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined. A modified experience review was completed for SERS for the 3-year period ending June 30, 2015. Changes were made to the assumptions regarding investment rate of return, projected salary increases, inflation rate, and mortality based on this review. All other assumptions remained unchanged.

^^ Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

Discount rate. Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 2.85% at June 30, 2016, and 3.56% at June 30, 2017, was used to measure the total OPEB liability.

NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)

Sensitivity of total OPEB liability to changes in the single discount rate. The following presents the plan's total OPEB liability, calculated using a Single Discount Rate of 3.56%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.56%) or lower (2.56%) than the current rate (amounts expressed in thousands):

	1% Decrease (2.56%)	Current Single Discount Rate Assumption (3.56%)	1% Increase (4.56%)
Commission's proportionate share of total OPEB liability	$ 76,782	$ 67,680	$ 58,629

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the plans total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands). The key trend rates are 8.0% in 2018 decreasing to an ultimate trend rate of 4.99% in 2025, for non-Medicare coverage, and 9.0% decreasing to an ultimate trend rate of 4.5% in 2027 for Medicare coverage.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
Commission's proportionate share of total OPEB liability	$ 57,832	$ 67,680	$ 75,810

NOTE 13 - FUND BALANCES AND NET POSITION

Deficit in Fund Net Position: As of June 30, 2018, the Illinois Prepaid Tuition Program has a deficit in net position of $280,330. The table below details a reconciliation of the fund deficit in the financial statements to the fund deficit in the Actuarial Soundness Report as of June 30, 2018.

Unfunded liability per actuarial soundness report	$ (307,712)
Present value of accrued future administrative expense	28,825
Other accrued liabilities	(1,443)
Fund deficit per Statement of Net Position	$ (280,330)

(Continued)

NOTE 13 - FUND BALANCES AND NET POSITION (Continued)

Program Risks and Actuarial Data: The Illinois Prepaid Tuition Program's ability to honor existing and future contracts depends primarily upon three factors: (i) resumption of contract sales within projections; (ii) achieving a projected annual net return on Program investments; and (iii) actual tuition/fee increases being within projected amounts.

Gabriel, Roeder, Smith and Company, the independent actuarial firm retained by College Illinois!®, has performed an actuarial soundness valuation of College Illinois!®, the State's section 529 prepaid tuition program, as of June 30, 2018 to evaluate the financial viability of the program as of June 30, 2018. The complete Actuarial Soundness Report as of June 30, 2018 is included in the Other Information Section.

As detailed in the attached Actuarial report the Program enrollment has been on hold for the 2017/2018 enrollment period and will continue to be on hold for the 2018/2019 enrollment period pending continuing discussions with policymakers to help define and advance proposals that will strengthen the Program. The Program continues to operate as usual with no change in benefit payments, customer service, or plan administration. Those with beneficiaries in college continue to see benefit payments paid as usual. The Program retains a substantial investment portfolio in a separate trust fund to pay obligations for a number of years without requiring funding from the state. Based on the current actuarial soundness report, funds would be sufficient to cover payments through fiscal year 2025 even if the program never sold another contract.

The Program is not supported by the full faith and credit of the State, nor is it guaranteed by the State's general fund. The Program is a moral obligation of the State requiring the Governor to request an appropriation from the State General Assembly in case 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 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.

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 prepaid tuition statute, if the Program is discontinued, beneficiaries who are or will enroll within five years at an eligible institution 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 up to the time the Program is discontinued.

The following is a summary of the actuarial present value (APV) of the future benefits obligation, funded ratio, and significant assumptions used.

(Dollars in thousands)

NOTE 13 - FUND BALANCES AND NET POSITION (Continued)

APV of future benefits obligation*	$ 1,125,285
Funded ratio	73.30%
Actuarial assumptions:	
Actuarial valuation date	June 30, 2018
Assumed net investment return	6.25% in FY 19 then grading down in annual increments of 0.393 to an ultimate investment rate of 3.75 percent for fiscal years on and after 2025
Rates of cancelation	Varies according to years from projected college entrance year
Tuition increase all contract types:	
All future years	5.00%

* For all existing contracts as of June 30, 2018

The actuarial present value of the future benefits obligation decreased by approximately $110 million compared to the balance reported at June 30, 2017. Contributing to the overall decrease tuition paid.

Restrictions and Commitments: As of June 30, 2018, the Commission reported the following net position restrictions and fund balance commitments:

The Illinois Designated Account Purchase Program reported $24,288 of net position restricted for debt service. The Federal Student Loan Fund reported $46,331 of net position restricted for federal programs (loan guarantees). The Contract and Grant Fund reported $3 in fund balance restricted per terms of grant. The ISAC Accounts Receivable Fund, the Golden Apple Scholars Fund, and the University Grant Fund reported $68, $12, and $109, respectively, in fund balance committed for scholarships, awards and grants.

(Continued)

NOTE 13 - FUND BALANCES AND NET POSITION (Continued)

Restatement of Beginning Net Position

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. This Statement was implemented for the Illinois Student Assistance Commission's fiscal year ended June 30, 2018. A specific change to the Commission's financial statements relates to the recognition of the Commission's total OPEB liability with a net amount of ($80,452) that was not previously reported on the financial statements. Due to the requirements of GASB 75, this amount is now required to be included on the Commission's financial statements and thus were added to the financial statements as an adjustment to net position. A reconciliation for net position from the 2017 financial statements to beginning net position as reported on the 2018 financial statements is as follows.

The Commission's net position at July 1, 2017 has been restated as follows (in thousands):

	Governmental Activities	Business Type Activities
Net position, July 1, 2017	$ (4,756)	$ (220,911)
Change in accounting principle, GASB Statement No. 75	(29,055)	(51,397)
Net position, July 1, 2017, as restated	$ (33,811)	$ (272,308)

	Illinois Designated Account Purchase Program Fund	Non-major Enterprise Funds
Net position, July 1, 2017	$ 32,631	$ 32,851
Change in accounting principle, GASB Statement No. 75	(2,576)	(48,821)
Net position, July 1, 2017, as restated	$ 30,055	$ (15,970)

NOTE 14 - OPERATING LEASES

The Commission rents certain facilities and office equipment under leases, which generally provide for cancellation without penalty in the event funds for payment are not appropriated by the General Assembly.

Expenses for all operating leases amounted to $14 in 2018. There are no future minimum rental commitments for non-cancelable operating leases to be satisfied by future Commission appropriations.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR GOVERNMENTAL FUND
GENERAL FUND - BUDGETARY BASIS
Year Ended June 30, 2018
(Dollars in thousands)

	Budgeted Amounts		Actual	Actual Amounts	Variance From
	Original	Final	Amount	GAAP Basis	Final Budget
Revenues (inflows)					
Appropriations from State resources and other revenues					
General revenue account	$ 402,340	$ 402,340	$ 461,209	$ 461,209	$ 58,869
Education assistance account	10,356	10,356	302,748	302,748	292,392
Advancement of Education	-	-	(18)	(18)	(18)
Combined totals	412,696	412,696	763,939	763,939	351,243
Expenditures (outflows)					
Education					
Program, administration, and capital outlay					
General revenue account	402,340	402,340	460,483	460,483	(58,143)
Education assistance account	10,356	10,356	302,748	302,748	(292,392)
Advancement of Education	-	-	(18)	(18)	18
Combined totals	412,696	412,696	763,213	763,213	(350,517)
Net change in fund balance	$ -	$ -	726	726	$ 726
Fund balance, July 1, 2017			4,596	4,596	
Fund balance, June 30, 2018			$ 5,322	$ 5,322	

Explanation of differences between budgetary basis and GAAP basis of accounting:

The accompanying Budgetary Comparison Schedule - Major Governmental Funds - General Fund, presents comparisons of the legally adopted budgets with actual data on a budgetary basis.

Actual revenue amounts on the budgetary basis	$ 461,209
Total revenues on the GAAP basis	$ 461,209

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING SCHEDULES OF ACCOUNTS
GENERAL FUND
June 30, 2018
(Dollars in thousands)

	General Revenue Account	Educational Assistance Account	Advancement of Education Account	Total
ASSETS				
Unexpended appropriations	$ 1,196	$ 343	$ -	$ 1,539
Due from State of Illinois component units	5	-	-	5
Notes receivable, net of allowance of $29,184	5,322	-	-	5,322
Total assets	$ 6,523	$ 343	$ -	$ 6,866
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	$ 979	$ 322	$ -	$ 1,301
Due to State of Illinois component units	222	21	-	243
Total liabilities	$ 1,201	$ 343	$ -	$ 1,544
Fund balances				
Nonspendable, notes receivable	5,322	-	-	5,322
Total liabilities and fund balances	$ 6,523	$ 343	$ -	$ 6,866

GENERAL FUND
Year Ended June 30, 2018
(Dollars in thousands)

	General Revenue Account	Educational Assistance Account	Advancement of Education Account	Total
Revenues				
Other	$ 5	$ -	$ -	$ 5
Expenditures				
Education				
Scholarship, awards and grants	$ 460,483	$ 302,748	$ (18)	$ 763,213
Deficiency of revenues over expenditures	(460,478)	(302,748)	18	(763,208)
Other sources (uses) of financial resources				
Appropriations from State resources	402,340	10,356	-	412,696
Lapsed appropriations	(3,928)	(1,295)	-	(5,223)
Receipts remitted to (from) State Treasury	60,226	293,687	(18)	353,895
SERS on behalf contribution	2,566	-	-	2,566
Net other sources (uses) of financial resources	461,204	302,748	(18)	763,934
Net change in fund balances	726	-	-	726
Fund balance, July 1, 2017	4,596	-	-	4,596
Fund balance, June 30, 2018	$ 5,322	$ -	$ -	$ 5,322

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018
(Dollars in thousands)

	Special Revenue Funds		
	ISAC Accounts Receivable	John R. Justice Grant	Gear Up Grant
ASSETS			
Cash and cash equivalents	$ 68	$ -	$ 37
Receivables			
Other	-	-	115
Total assets	$ 68	$ -	$ 152
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	$ -	$ -	$ 147
Due to other State funds	-	-	5
Unearned revenue	-	-	-
Total liabilities	-	-	152
Fund balances			
Restricted	-	-	-
Committed	68	-	-
Total fund balances	68	-	-
Total liabilities and fund balances	$ 68	$ -	$ 152

Special Revenue Funds					Debt Service Fund	Total
Golden Apple Scholars	University Grant	Contract and Grant	Optometric Education	Total	ISAC COP	Total Nonmajor Governmental Funds
$ 82	$ 111	$ 3	$ -	$ 301	-	301
-	-	-	-	115	-	115
$ 82	$ 111	$ 3	$ -	$ 416	$ -	$ 416
$ 68	$ -	$ -	$ -	$ 215	$ -	$ 215
-	-	-	-	5	-	5
2	2	-	-	4	-	4
70	2	-	-	224	-	224
-	-	3	-	3	-	3
12	109	-	-	189	-	189
12	109	3	-	192	-	192
$ 82	$ 111	$ 3	$ -	$ 416	$ -	$ 416

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018
(Dollars in thousands)

	Special Revenue Funds		
	ISAC Accounts Receivable	John R. Justice Grant	Gear Up Grant
Revenues			
Federal government	$ -	$ 57	$ 1,419
Other	226	-	-
Total revenues	226	57	1,419
Expenditures			
Education			
Scholarships, awards and grants	157	57	1,419
Salaries and employee benefits	96	-	-
Total expenditures	253	57	1,419
Excess (deficiency) of revenues over expenditures	(27)	-	-
Other sources (uses) of financial resources			
Appropriations from State resources	-	-	-
Net other sources (uses) of financial resources	-	-	-
Net change in fund balances	(27)	-	-
Fund balance, July 1, 2017	95	-	-
Fund balance, June 30, 2018	$ 68	$ -	$ -

Special Revenue Funds					Debt Service Fund	Total
Golden Apple Scholars	University Grant	Contract and Grant	Optometric Education	Total	ISAC COP	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ 1,476	$ -	$ 1,476
48	97	1	-	372	-	372
48	97	1	-	1,848	-	1,848
68	97	19	50	1,867	-	1,867
-	-	-	-	96	-	96
68	97	19	50	1,963	-	1,963
(20)	-	(18)	(50)	(115)	-	(115)
-	-	-	50	50	-	50
-	-	-	50	50	-	50
(20)	-	(18)	-	(65)	-	(65)
32	109	21	-	257	-	257
$ 12	$ 109	$ 3	$ -	$ 192	$ -	$ 192

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2018
(Dollars in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Eliminations	Total
ASSETS				
Current				
Cash and cash equivalents	$ 57,679	$ 39,325	$ -	$ 97,004
Receivables				
Intergovernmental	466	21,631	-	22,097
Accrued interest on investments	94	66	-	160
Securities lending collateral	23,599	16,495	-	40,094
Due from other State funds	151	-	-	151
Due from other ISAC funds	2,236	-	-	2,236
Due from Federal Student Loan funds	1,264	-	(1,264)	-
Due from Student Loan Operating fund	-	326	(326)	-
Total current assets	85,489	77,843	(1,590)	161,742
Non-current				
Capital assets, net of accumulated depreciation	1,843	-	-	1,843
Due from Student Loan Operating fund	-	565	(565)	-
Total non-current assets	1,843	565	(565)	1,843
Total assets	87,332	78,408	(2,155)	163,585
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	25,461	-	-	25,461
OPEB related amounts	4,475	-	-	4,475
Total deferred outflows of resources	29,936	-	-	29,936
Total assets and deferred outflows of resources	$ 117,268	$ 78,408	$ (2,155)	$ 193,521
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$ 706	$ 8,180	$ -	$ 8,886
Due to Federal Student Loan fund	326	-	(326)	-
Due to Student Loan Operating fund	-	1,264	(1,264)	-
Due to other State funds	158	-	-	158
Securities lending collateral obligation	23,599	16,495	-	40,094
Due to U.S. Department of Education	-	6,138	-	6,138
Compensated absences	204	-	-	204
Total current liabilities	24,993	32,077	(1,590)	55,480
Non-current				
Due to Federal Student loan fund	565	-	(565)	-
Net pension liability	75,159	-	-	75,159
Net OPEB liability	51,779	-	-	51,779
Compensated absences	1,520	-	-	1,520
Total non-current liabilities	129,023	-	(565)	128,458
Total liabilities	154,016	32,077	(2,155)	183,938
DEFERRED INFLOWS OF RESOURCES				
Pension related amounts	19,005	-	-	19,005
OPEB related amounts	4,916	-	-	4,916
Total deferred inflows of resources	23,921	-	-	23,921
NET POSITION				
Net investment in capital assets	1,843	-	-	1,843
Restricted	-	46,331	-	46,331
Unrestricted	(62,512)	-	-	(62,512)
Total net position	(60,669)	46,331	-	(14,338)
Total liabilities, deferred inflows of resources and net position	$ 117,268	$ 78,408	$ (2,155)	$ 193,521

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2018
(Dollars in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Operating revenues			
Portfolio maintenance fees	$ 1,937	$ -	$ 1,937
Direct consolidation fees	9,734	-	9,734
Collections on student loans previously reimbursed by the U.S. Department of Education	-	14,405	14,405
Other	2,399	-	2,399
Total operating revenues	14,070	14,405	28,475
Operating expenses			
Salaries and employee benefits	10,094	-	10,094
Pension expenses	4,086	-	4,086
OPEB expenses	3,398	-	3,398
Loan guarantees	-	116,629	116,629
Management and professional services	10,943	-	10,943
Depreciation	427	-	427
Total operating expenses	28,948	116,629	145,577
Operating loss	(14,878)	(102,224)	(117,102)
Non-operating revenues			
Federal government	-	117,249	117,249
Interest revenue	870	615	1,485
Total non-operating revenue	870	117,864	118,734
Income (loss) before transfers	(14,008)	15,640	1,632
Transfers for:			
Collection retention fees	1,908	(1,908)	-
Repurchases/rehabilitations/consolidation retention fees	15,385	(15,385)	-
Direct consolidation fee refund	(4,452)	4,452	-
Default aversion fees	180	(180)	-
Net transfers	13,021	(13,021)	-
Change in net position	(987)	2,619	1,632
Net Position, July 1, 2017, as restated	(59,682)	43,712	(15,970)
Net Position, June 30, 2018	$ (60,669)	$ 46,331	$ (14,338)

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year ended June 30, 2018
(Dollars in thousands)

	Student Loan Operating Fund	Federal Student Loan Fund	Total
Cash flows from operating activities			
Cash received from fees and other charges	$ 12,333	$ 91,940	$ 104,273
Cash payments to suppliers for goods and services	(5,496)	-	(5,496)
Cash payments to employees for services	(13,641)	-	(13,641)
Cash payments for loan guarantees	-	(119,741)	(119,741)
Cash payments for other operating activities	(3,468)	(77,739)	(81,207)
Net cash provided (used) by operating activities	(10,272)	(105,540)	(115,812)
Cash flows from noncapital financing activities			
Federal government grants	-	114,258	114,258
Transfers in	16,811	4,596	21,407
Transfers out	(4,596)	(16,811)	(21,407)
Net cash provided (used) by noncapital financing activities	12,215	102,043	114,258
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(148)	-	(148)
Cash flows from investing activities			
Interest and dividends on investments	830	590	1,420
Increase (decrease) in cash and cash equivalents	2,625	(2,907)	(282)
Cash and cash equivalents, July 1, 2017	55,054	42,232	97,286
Cash and cash equivalents, June 30, 2018	$ 57,679	$ 39,325	$ 97,004
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	$ (14,878)	$ (102,224)	$ (117,102)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	427	-	427
Change in assets and liabilities			-
Intergovernmental receivables	57	-	57
Due from other State funds	454	(4)	450
Due from State of Illinois component units	-	-	-
Accounts payable and accrued liabilities	(210)	(1,929)	(2,139)
Intergovernmental payables	-	(1,383)	(1,383)
Due to other State funds and component units	(39)	-	(39)
Due to other ISAC funds	4	-	4
Compensated absences	(203)	-	(203)
Deferred inflows related to pensions and OPEB	(2,018)	-	(2,018)
Deferred outflows related to pensions and OPEB	(13,329)	-	(13,329)
Net pension liability	17,795	-	17,795
Net OPEB liability	1,668	-	1,668
Total adjustments	4,606	(3,316)	1,290
Net cash provided (used) by operating activities	$ (10,272)	$ (105,540)	$ (115,812)

OTHER INFORMATION

College Illinois!® Prepaid Tuition Program

Actuarial Soundness Valuation Report as of June 30, 2018

GRS Retirement Consulting

P: 312.456.9800 | F: 312.683.3271 | www.grsconsulting.com

October 5, 2018

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

Re: College Illinois!® Prepaid Tuition Program Actuarial Valuation as of June 30, 2018

Dear Mr. Zarnikow:

In accordance with the request of the Illinois Student Assistance Commission ("ISAC"), Gabriel, Roeder, Smith & Company ("GRS") has performed an actuarial soundness valuation of the College Illinois!® Prepaid Tuition Program ("CIPTP") as of June 30, 2018. Although the term "actuarial soundness" is not specifically defined, the primary purpose of this actuarial valuation is to evaluate the financial status of the program as of June 30, 2018.

This report presents the principal results of the actuarial soundness valuation of the CIPTP including the following:

- A comparison of the actuarial present value of the obligations for prepaid tuition contracts purchased through June 30, 2018, with the value of the assets associated with the program as of that same date;
- An analysis of the factors which caused the deficit/surplus to change since the prior actuarial valuation; and
- A summary of the actuarial assumptions and methods utilized in the actuarial calculations.

This report was prepared at the request of ISAC and is intended for use by ISAC and those designated or approved by ISAC. This report may be provided to parties other than ISAC only in its entirety and only with the permission of ISAC. This report should not be relied on for any purpose other than the purpose described above.

The actuarial soundness valuation results set forth in this report 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, 2018, and does not reflect subsequent market volatility.

120 North LaSalle Street | Suite 1350 | Chicago, Illinois 60602-3495

The actuarial soundness valuation results summarized in this report involve actuarial calculations that require assumptions about future events. Most of the actuarial assumptions used in this valuation were based on an experience review for the period from July 1, 2011 to June 30, 2014, and were adopted for use commencing with the June 30, 2015, actuarial valuation. The following changes were made beginning with the actuarial valuation as of June 30, 2018:

- The "select and ultimate" rate structure for the investment return assumption and related discount rate for liabilities was changed from an initial rate of 6.50 percent for fiscal year 2018 and grading down to the ultimate rate of 3.75 percent for fiscal years 2025 and after to an initial rate of 6.25 percent for fiscal year 2019 (compared to the expected rate of 6.107 percent under the previous assumption) and grading down to the ultimate rate of 3.75 percent for fiscal years 2026 and after.

- 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.

The major actuarial assumptions used in this analysis were provided by and are the responsibility of ISAC.

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 2018/2019 enrollment period. According to the College Illinois!® Prepaid Tuition Program website, program enrollment is on hold pending continuing discussions with policymakers to help define and advance proposals that will address the College Illinois!® Prepaid Tuition Program unfunded liability and strengthen the Program.

Considering the current asset allocation, current and future liquidity requirements and the fact that program enrollment is on hold, we believe the net investment rate of return assumption of 6.25 percent in fiscal year 2019 grading down to 3.75 percent in 2026, on a select and ultimate basis, is consistent with applicable Actuarial Standards of Practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report 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. We have performed an analysis of the sensitivity of certain changes in future assumptions.

We believe that the actuarial methods used in this report are reasonable and appropriate for the purpose for which they have been used. In addition, because it is not possible or practical to consider every possible contingency, we may use summary information, estimates or simplifications of calculations to facilitate the modeling of future events. We may also exclude factors or data that are deemed to be immaterial.

To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the College Illinois!® Prepaid Tuition Program as of June 30, 2018. 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.

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

Respectfully submitted,

SIGNED ORIGINAL ON FILE	SIGNED ORIGINAL ON FILE
Lance J. Weiss, EA, MAAA, FCA	Amy Williams, ASA, MAAA, FCA
Senior Consultant and Team Leader	Consultant

Table of Contents

SECTION A

EXECUTIVE SUMMARY

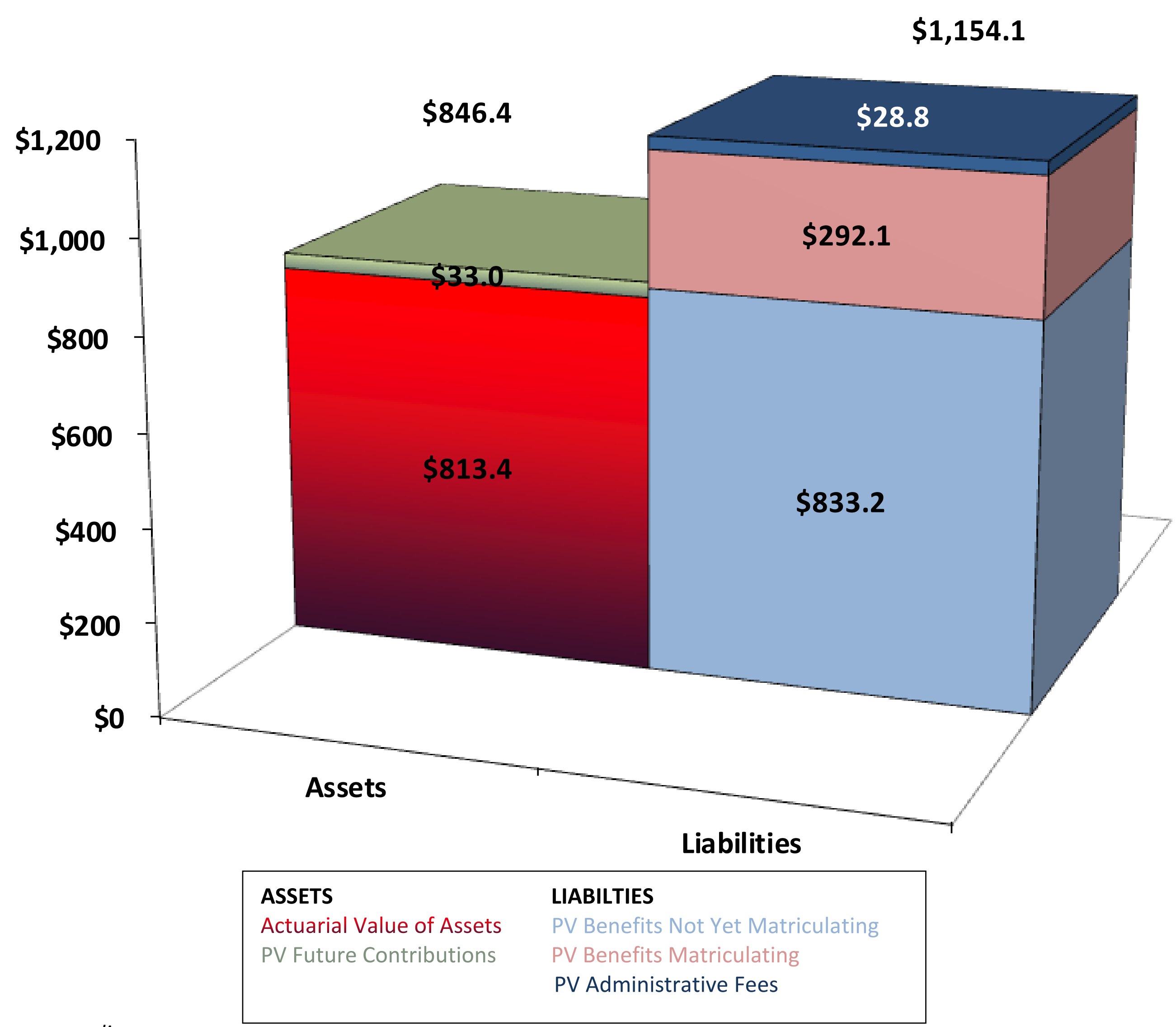
Principal Actuarial Soundness Valuation Results

Valuation Date:	June 30, 2018	June 30, 2017
Membership Summary:		
Counts		
Not yet Matriculating	21,701	25,146
Matriculating[a]	13,482	13,251
Total	35,183	38,397
Average years until Enrollment if Not yet Matriculating	3.8	4.1
Assets[b]		
· Actuarial Value of Assets (AVA)	$846,398,622	$950,969,333
· Estimated Return	5.60%	7.22%
Actuarial Liabilities (Present Value of Future Tuition Payments, Fees, and Administrative Expenses)	$1,154,110,295	$1,271,206,337
Unfunded Liabilities	$307,711,673	$320,237,004
Funded Ratio	73.3%	74.8%

[a] *Counts include 4,897 in contracts in 2018 and 4,592 contracts in 2017 that are classified as "Matriculating" but have not used any credits within the past year.*

[b] *Asset values include present value of expected future contract payments from current contract holders.*

Summary of Assets and Liabilities as of June 30, 2018
$ in Millions



Numbers may not add due to rounding.

Summary of Results

Funded Status as of June 30, 2018

	June 30, 2018
Actuarial Present Value of Future Tuition Payments, Fees and Expenses	$1,154,110,295
Actuarial Value of Assets (Including the Present Value of Installment Contract Receivables)	$846,398,622
Deficit/(Surplus) as of June 30, 2018	$307,711,673

Gain/Loss Summary

	Unfunded Liability
Value at June 30, 2017	$ 320,237,004
Expected Value at June 30, 2018	$ 341,052,409
(Gain)/Loss Due to:	
Investment Experience	$ 7,573,155
Change in Assumptions and Methods	(4,384,888)
Tuition/Fee Inflation	(25,580,322)
Other Demographic Experience*	(10,948,681)
Total	$ (33,340,736)
Actual Value at June 30, 2018	$ 307,711,673

**Other Demographic Experience includes deviations in actual contract beneficiary experience from our assumptions related to rates of enrollment and utilization of benefits and contract terminations and refunds.*

Additional Details on the development of the Expected Value at June 30, 2018, can be found on page B-3.

Discussion

Actuarial Soundness Valuation

Gabriel, Roeder, Smith & Company ("GRS") has performed an actuarial soundness valuation of the College Illinois!® Prepaid Tuition Program ("CIPTP") as of June 30, 2018.

The primary purposes of the actuarial soundness valuation are to:

- Determine the actuarial present value of the obligations for prepaid tuition contracts purchased through June 30, 2018, and compare such liabilities with the value of the assets associated with the program as of that same date; and
- Analyze the factors which caused the deficit/surplus to change since the prior actuarial valuation.

This report summarizes those results and also illustrates the sensitivity of the deficit/surplus to changes in the rate of tuition and fee increases as well as the rate of investment return on assets.

In addition, the report provides summaries of the contract beneficiary data, financial data, plan provisions and actuarial assumptions and methods.

Background

Legislation authorizing ISAC to administer an Illinois Prepaid Tuition Program was passed in November 1997. The purpose of the program is to provide Illinois families with an affordable tax-advantaged method to pay for college. CIPTP is open to all Illinois residents and non-Illinois residents purchasing for Illinois-resident beneficiaries. CIPTP contracts may allow participants to prepay the cost of tuition and mandatory fees at Illinois public universities and community colleges at expected projected costs, which may be more stable than actual future costs.

Benefits of the program can also be used at private and out-of-state colleges and universities. Contracts can be purchased in a lump sum or in installments. As a Section 529 plan, CIPTP earnings are exempt from state and federal income taxes.

The first CIPTP contracts were offered for sale in 1998. As of June 30, 2018, the CIPTP had 35,183 contracts in force.

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 2018/2019 enrollment period. According to the College Illinois!® Prepaid Tuition Program website, program enrollment is on hold pending continuing discussions with policymakers to help define and advance proposals that will address the College Illinois!® Prepaid Tuition Program unfunded liability and strengthen the Program.

Actuarial Assumptions

The actuarial soundness valuation results summarized in this report involve actuarial calculations that require assumptions about future events. Most of the actuarial assumptions used in this actuarial soundness valuation were based on an experience review for the period from July 1, 2011 to June 30, 2014, and were approved and adopted for use commencing with the June 30, 2015, actuarial soundness valuation by ISAC. The tuition and fee increase assumption was updated first commencing with the June

30, 2016, actuarial soundness valuation to a flat rate of 5.00 percent for all future years for all contract types. These actuarial assumptions are the responsibility of ISAC.

Changes in Actuarial Assumptions Since Prior Valuation

The net investment return assumption under the "select and ultimate" rate structure was changed from an initial rate of 6.50 percent for fiscal year 2018 and grading down to the ultimate rate of 3.75 percent in fiscal years on and after 2025 (in 0.393 percent annual increments) to an initial rate of 6.25 percent for fiscal year 2019 and grading down to the ultimate rate of 3.75 percent in fiscal years on and after 2026 (in 0.357 percent annual increments).

The assumption for the percentage of total administrative expenses assumed to be related to marketing was decreased from 28 percent to zero since all of the expenses provided to us this year are considered to be non-marketing related. 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. The major actuarial assumptions used in this analysis were provided by and are the responsibility of ISAC.

Considering the current asset allocation, current and future liquidity requirements, and the fact that the program enrollment is on hold (and has been since the 2017/2018 enrollment period), we believe the net investment rate of return assumption being used in the June 30, 2018, actuarial soundness valuation is consistent with applicable Actuarial Standards of Practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report 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. We have performed an analysis of the sensitivity of certain changes in assumptions.

Financial Status of Program as of June 30, 2018

As of June 30, 2018, the present value of all future tuition obligations under contracts outstanding (and including future administrative expenses) at that date is $1,154,110,295. The value of fund assets as of June 30, 2018, including the market value of program assets and the present value of installment contract receivables, is $846,398,622.

The difference between the present value of future tuition obligations and the value of assets as of June 30, 2018, represents a program deficit of $307,711,673. The comparable program deficit as of the last valuation as of June 30, 2017, was $320,237,004. This represents an improvement (i.e., decrease) in the deficit of $12,525,331.

Gain/Loss Analysis

As described above, the program deficit decreased from $320.2 million as of June 30, 2017, to $307.7 million as of June 30, 2018. Based on the actuarial assumptions used during the June 30, 2017, actuarial soundness valuation, the deficit was expected to increase to $341.1 million. The primary factors which caused the expected deficit to decrease by $33.4 million were (1) the change in the investment return assumption (the rate for fiscal year 2019 was expected to be 6.107 and was changed to 6.25 percent), (2) tuition and fee increases that were less than expected (increases that were lower than the assumption of 5.00 percent) and (3) other demographic experience (which includes deviations in actual contract beneficiary experience from our assumptions related to rates of enrollment and utilization of benefits and contract terminations and refunds). This decrease was partially offset by losses due to investment returns that were less than expected (an actual rate of return less than the assumption of 6.50 percent).

Although there was an improvement in the program deficit, the funded ratio decreased from 74.8 percent as of June 30, 2017, to 73.3 percent as of June 30, 2018.

Benefit Provisions

The basic terms and conditions of the College Illinois!® Prepaid Tuition Program (the "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").

We understand there were no changes in the program provisions since the last actuarial soundness valuation as of June 30, 2017.

Assets

CIPTP assets are held in trust. ISAC provided the asset information used in the June 30, 2018, actuarial valuation.

This report contains several exhibits summarizing the plan's assets, including a summary of the market value of assets broken down by asset category and a reconciliation of the assets from the last actuarial valuation date to the current actuarial valuation date. The approximate return on market value of assets was 5.60 percent for the year ended June 30, 2018.

Commencing with the June 30, 2015, valuation, 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.

Contract Prices

Contract prices are determined for each enrollment period based upon a variety of factors and include a built-in stabilization factor. The stabilization factor is intended to help insulate the Program from unexpected market volatility and improve the funded status of the Program over time. Each year, ISAC reviews the actuarial soundness report, the Mean Weighted Average Tuition and Fees and the stabilization factor amount to establish contract pricing. In effect, contract prices are reviewed in order to reflect tuition and fee increases at Illinois public institutions, as well as other actuarial criteria.

Contracts Sold by Enrollment Year

The chart on page D-1 illustrates the number of contracts sold by enrollment year.

As this chart indicates, the number of contracts sold has decreased significantly during the last five enrollment years from the number sold per year in previous years.

Discussion

- The average annual number of contracts sold beginning with the enrollment period 1999/2000 and ending with the enrollment period 2009/2010 was 5,235.
- The average annual number of contracts sold during the last seven year period 2010/2011 to 2016/2017 was 559 including 2011/2012 when the plan was not open for new contract sales.
- The average annual number of contracts sold during the last seven year period 2010/2011 to 2016/2017 was 652 excluding 2011/2012 when the plan was not open for new contract sales.
- Program enrollment was placed on hold commencing with the 2017/2018 enrollment period. Therefore, there were zero contracts sold during the 2017/2018 enrollment period.

Projection Scenarios

Full projection scenarios are included in a separate report.

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 2018/2019 enrollment period. While the closing of the CIPTP has not occurred, we have completed a projection assuming that the program continues to operate but with no new contract sales after June 30, 2018. Based on an investment return assumption that grades down from 6.25% for the 2019 fiscal year to 3.75% for the 2026 fiscal year, future payments from current contract holders, current Trust assets and future investment income are projected to be insufficient by the year 2026 to make the required tuition payments and additional funds will be required to maintain solvency. The results of this “closed group” projection are included in a separate report.

Future actuarial measurements may differ significantly from the measurements presented in this projection 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.

Disclosure

This report is not a recommendation to anyone to participate or not participate in the CIPTP. GRS makes no representations or warranties to any person participating in or considering future participation in the CIPTP.

SECTION B

ACTUARIAL SOUNDNESS VALUATION RESULTS

Exhibit I
Principal Actuarial Soundness Valuation Results

Valuation Date:	June 30, 2018	June 30, 2017
1. Number of Members		
a. Not yet Matriculating:	21,701	25,146
b. Matriculating:[a]	13,482	13,251
c. Total	35,183	38,397
Average Years until Enrollment if Not Yet Matriculating	3.8	4.1
2. Assets		
a. Market Value of Assets (in Trust)	$ 813,365,005	$ 904,972,812
b. PV Future Member Contributions	33,033,617	45,996,521
c. Total Actuarial Value of Assets (AVA) (2a + 2b)	$ 846,398,622	$ 950,969,333
3. Actuarial Results		
Liabilities		
a. Not yet Matriculating - Tuition and Fees	$ 833,162,370	$ 949,953,385
b. Matriculating - Tuition and Fees	292,122,567	285,760,376
c. Present Value of Future Administrative Expenses	28,825,358	35,492,576
d. Total	$ 1,154,110,295	$ 1,271,206,337
Unfunded Liability	$ 307,711,673	$ 320,237,004
Funded Ratio	73.3%	74.8%

[a] *Counts include 4,897 contracts in 2018 and 4,592 contracts in 2017 that are classified as "Matriculating" but have not used any credits within the past year.*

Exhibit I (Continued)
Principal Actuarial Soundness Valuation Results

Valuation Date:	June 30, 2018	June 30, 2017
1. Assets		
a. Market Value of Assets (in Trust)	$ 813,365,005	$ 904,972,812
b. PV Future Member Contributions (Short Term)[a]	10,170,115	12,865,968
c. PV Future Member Contributions (Long Term)[b]	22,863,502	33,130,553
d. Total Market Value of Assets (MVA)	$ 846,398,622	$ 950,969,333
2. Actuarial Present Value of Tuition, Fees and Admin Expenses		
a. Short Term[a]	$ 150,055,581	$ 152,765,034
b. Long Term[b]	1,004,054,714	1,118,441,303
c. Total	$ 1,154,110,295	$ 1,271,206,337
Unfunded Liability (Surplus)	$ 307,711,673	$ 320,237,004
Funded Ratio	73.3%	74.8%

[a] *Present value of amounts in following year.*

[b] *Present value of amounts after first year.*

Exhibit II
Gain/Loss Summary

	Present Value of Benefits	Plan Assets[a]	Unfunded Liability
1. Values at June 30, 2017	$ 1,271,206,337	$950,969,333	$ 320,237,004
2. Actual Tuition Payments, Refunds and Administrative Expenses	$ (153,003,993)	$ (153,003,993)	$ -
3. Interest on 1. and 2. at 6.50%	$ 77,734,063	$ 56,918,658	$ 20,815,405
4. New Contracts	$ -	$ -	$ -
5. Projected Values at June 30, 2018 (1. + 2. + 3. + 4.)	$ 1,195,936,407	$ 854,883,998	$ 341,052,409
6. (Gain)/Loss Due to:			
Investment Experience	$ -	$ 7,573,155	$ 7,573,155
Change in Assumptions and Methods	(4,471,507)	86,619	(4,384,888)
Tuition/Fee Inflation	(25,580,322)	-	(25,580,322)
Other Demographic Experience[b]	(11,774,283)	825,602	(10,948,681)
Total	$ (41,826,112)	$ 8,485,376	$ (33,340,736)
7. Actual Values at June 30, 2018 (5. + 6.)	$ 1,154,110,295	$ 846,398,622	$ 307,711,673

[a]*Equals the sum of the market value of trust assets plus the present value of expected future contract payments from current contract holders. Actual values at June 30, 2018, are equal to (5.-6.) which is the projected value minus the (gain)/loss total.*

[b]*Other Demographic Experience includes deviations in actual contract beneficiary experience from the assumptions related to rates of enrollment and utilization of benefits and contract terminations and refunds. Other Demographic Experience for Plan Assets is the change in the present value of expected future contract payments from current contract holders.*

Exhibit III
Gain/Loss History

	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	Total 7-Year Change
Unfunded Liability at Prior Valuation Date	$ 536,337,123	$ 467,404,585	$ 448,506,323	$ 328,182,173	$ 292,111,181	$264,313,965	$ 320,237,004	
Projected Unfunded Liability at Valuation Date	$ 585,357,342	$ 491,441,672	$ 474,596,839	$ 346,104,498	$ 309,309,748	$278,495,729	$ 341,052,409	
(Gain)/Loss Due to:								
Investment Experience	$ 50,941,188	$ (13,003,926)	$ (44,221,698)	$ 31,916,454	$ 8,218,414	$ (4,435,878)	$ 7,573,155	$ 36,987,709
Change in Assumptions	(81,435,163)	24,441,468	(53,755,927)	(49,845,761)	(21,711,495)	78,869,711	(4,384,888)	(107,822,055)
Tuition/Fee Inflation*	N/A	(66,164,363)	(45,359,154)	(47,420,647)	(40,802,985)	(31,916,630)	(25,580,322)	(257,244,101)
Other Demographic Experience	(87,458,782)	11,791,472	(3,077,887)	11,356,637	9,300,283	(775,927)	(10,948,681)	(69,812,885)
Total	$ (117,952,757)	$ (42,935,349)	$ (146,414,666)	$ (53,993,317)	$ (44,995,783)	$ 41,741,276	$ (33,340,736)	$ (397,891,332)
Unfunded Liability at Valuation Date	$ 467,404,585	$ 448,506,323	$ 328,182,173	$ 292,111,181	$ 264,313,965	$320,237,004	$ 307,711,673	

**Prior to the June 30, 2013, actuarial soundness valuation, Tuition and Fee Inflation was included with "Other Demographic Experience".*

Changes in Actuarial Assumptions

June 30, 2012	*Decrease in the investment return assumption from 7.50 percent to 7.25 percent, change in the tuition and fee increase assumption from a flat rate increase assumption to a select and ultimate rate increase assumption.*
June 30, 2013	*Decrease in the investment return assumption from 7.25 percent to 7.00 percent.*
June 30, 2014	*Decrease in the tuition and fee select and ultimate rate increase assumption for Legacy, University and University Plus contracts.*
June 30, 2015	*Based on an experience review covering the period July 1, 2011 through June 30, 2014, changes in the matriculation rates, benefit utilization rates, cancellation rates, bias loads and growth rate for administrative expenses. No changes were made to the investment return or the tuition and fee increase assumptions.*
June 30, 2016	*Decrease in the investment return assumption from 7.00 percent to 6.75 percent, change in the tuition and fee increase assumption from a select and ultimate rate increase assumption with an ultimate increase rate of 5.00 percent to a flat rate of 5.00 percent for all future years*
June 30, 2017	*Decrease in the investment return assumption from a flat rate of 6.75 percent to a select and ultimate rate structure with an initial rate of 6.50 percent, grading down in annual increments of 0.393 percent to an ultimate investment return rate of 3.75 percent. Change in the calculation of the total administrative expenses related to marketing from an assumption of 12 percent of total administrative expenses to actual marketing expenses in the prior fiscal year (which affects the present value of future administrative expenses for current contract beneficiaries).*
June 30, 2018	*The select and ultimate rate structure was changed from an initial rate of 6.50 percent for fiscal year 2018, and grading down in annual increments of 0.393 percent to the ultimate rate of 3.75 percent in fiscal years on and after 2025 to an initial rate of 6.25 percent for fiscal year 2019,and grading down in annual increments of 0.357 percent to the ultimate rate of 3.75 percent in fiscal years on and after 2026.*

Exhibit IV
Historical Rate of Investment Return and WAT Increases

Year Ending June 30	Estimated Rate of Return on Market Value of Assets	WAT Increases For Community College	WAT Increases For University	WAT Increases For University Plus	WAT Increases For Legacy
2017	7.22 %	4.79 %	1.74 %	(0.46)%	1.57 %
2018	5.60 %	2.02 %	2.95 %	0.77 %	2.14 %
2-Year Average	6.41 %	3.40 %	2.34 %	0.15 %	1.85 %
10-Year Average	N/A	N/A	N/A	N/A	N/A

Exhibit V
Sensitivity Testing Results

The actuarial assumptions regarding future increases in tuition costs and fees and the future rate of investment return were provided to us by ISAC. In our opinion, the actuarial assumptions provided to us are reasonable for the purpose of the measurement. However, no one really knows what the future holds with respect to economic conditions and other contingencies. For example, while it is assumed that the assets of the fund will earn 6.25 percent in Fiscal Year 2019 graded down in yearly increments to 3.75 percent on and after Fiscal Year 2026, actual returns are expected to vary from year to year. Therefore, we have projected CIPTP results under alternative assumptions for future investment income, tuition increases and fee increases.

1. Tuition increases are 100 basis points higher/lower (6.00%/4.00% compared to 5.00%) in each future year than assumed in the baseline valuation (measurement of soundness).
2. Fee increases are 100 basis points higher/lower (6.00%/4.00% compared to 5.00%) in each future year than assumed in the baseline valuation (measurement of soundness).
3. The investment return is 50 basis points higher/lower (6.75% initial and 4.25% ultimate/5.75% initial and 3.25% ultimate compared to 6.25% initial and 3.75% ultimate) in each future year than assumed in the baseline valuation (measurement of soundness).

The impact of each of these scenarios on the principal actuarial soundness valuation results is presented on the following page.

Exhibit V
Sensitivity Testing Results
$ in Millions

	Current Valuation Assumptions	Assumed Tuition Increases 100 Basis Points	Assumed Tuition Decreases 100 Basis Points	Assumed Fee Increases 100 Basis Points	Assumed Fee Decreases 100 Basis Points	Assumed Investment Return Increases 50 Basis Points	Assumed Investment Return Decreases 50 Basis Points
1 Assets							
a. Market Value of Assets (in Trust)	$813.4	$813.4	$813.4	$813.4	$813.4	$813.4	$813.4
b. PV Future Member Contributions	33.0	33.0	33.0	33.0	33.0	32.6	33.5
c. Total Actuarial Value of Assets (AVA) (2a + 2b)	$846.4	$846.4	$846.4	$846.4	$846.4	$846.0	$846.9
2 Actuarial Results							
Liabilities							
a. Not yet Matriculating - Tuition and Fees	$833.2	$856.6	$811.1	$846.0	$823.8	$809.0	$858.5
b. Matriculating - Tuition and Fees	292.1	292.7	290.3	292.9	290.6	289.2	295.1
c. Present Value of Future Administrative Expenses	28.8	28.8	28.8	28.8	28.8	28.2	29.5
d. Total	$1,154.1	$1,178.1	$1,130.2	$1,167.7	$1,143.2	$1,126.4	$1,183.1
Unfunded Liability	$307.7	$331.7	$283.8	$321.3	$296.8	$280.4	$336.2
Funded Ratio	73.3%	71.8%	74.9%	72.5%	74.0%	75.1%	71.6%
Difference From Current Assumptions							
Unfunded Liability	$0.0	$24.0	-$23.9	$13.6	-$10.9	-$27.3	$28.5
Funded Ratio	0.0%	-1.5%	1.6%	-0.8%	0.7%	1.8%	-1.7%

In all scenarios, trust assets are projected to be depleted in year 2026.

SECTION C

FUND ASSETS

Statement of Net Plan Assets
(Assets at Market or Fair Value)

College Illinois!® Prepaid Tuition Program

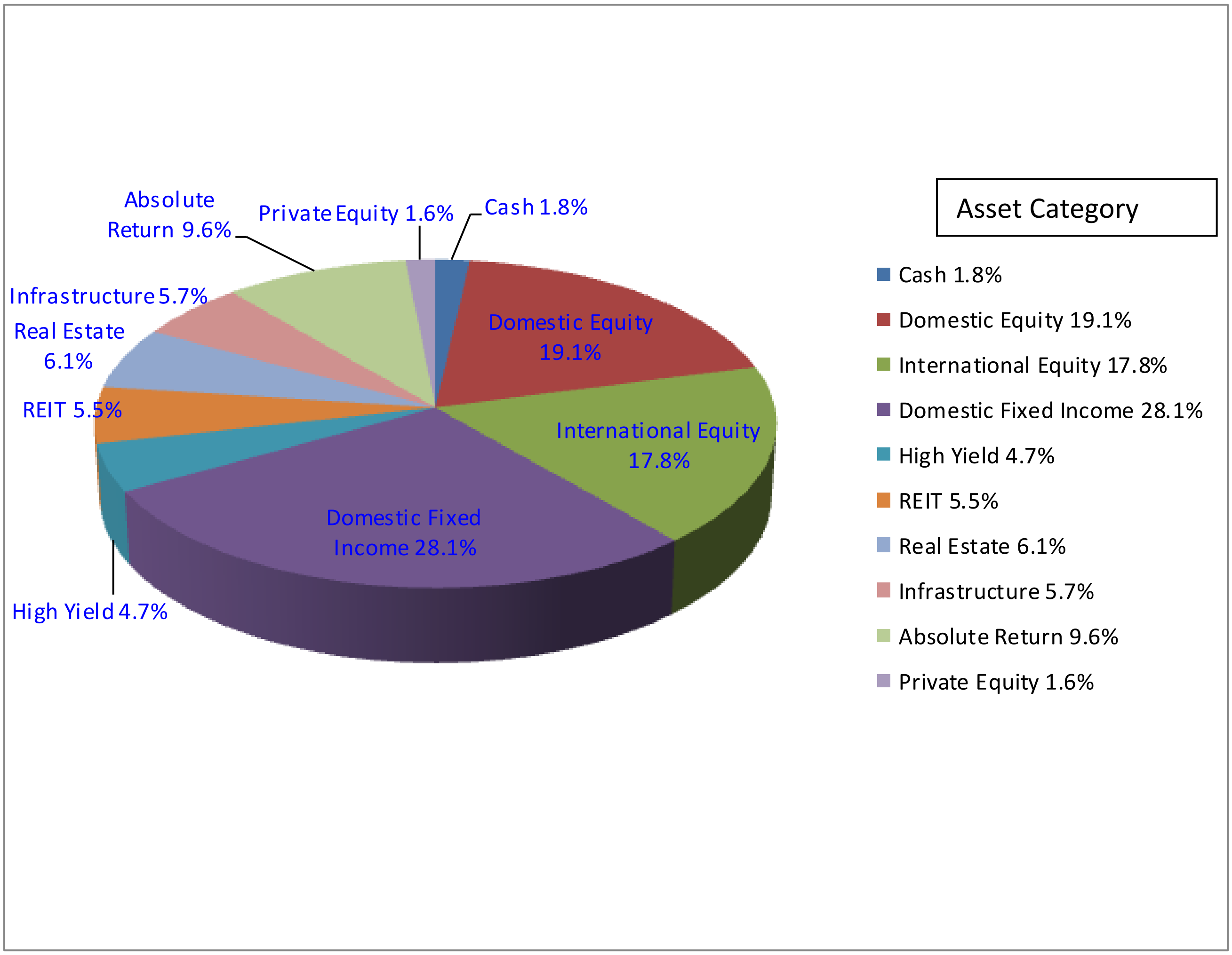
Statement of Plan Net Assets

Year ended June 30, 2018

			% of Total
Cash	$	14,530,776	1.8%
Investments			
Domestic Equity	$	155,419,695	19.1%
International Equity		144,823,913	17.8%
Domestic Fixed Income		228,294,965	28.1%
High Yield		38,521,489	4.7%
REIT		45,137,877	5.5%
Real Estate		49,814,255	6.1%
Infrastructure		46,035,589	5.7%
Absolute Return		78,072,563	9.6%
Private Equity		12,713,884	1.6%
Total Investments	$	798,834,229	98.2%
Total Assets	$	813,365,005	100.0%

Numbers may not add due to rounding.

Allocation of Assets at June 30, 2018



Reconciliation of Market Value of Plan Assets

College Illinois!® Prepaid Tuition Program

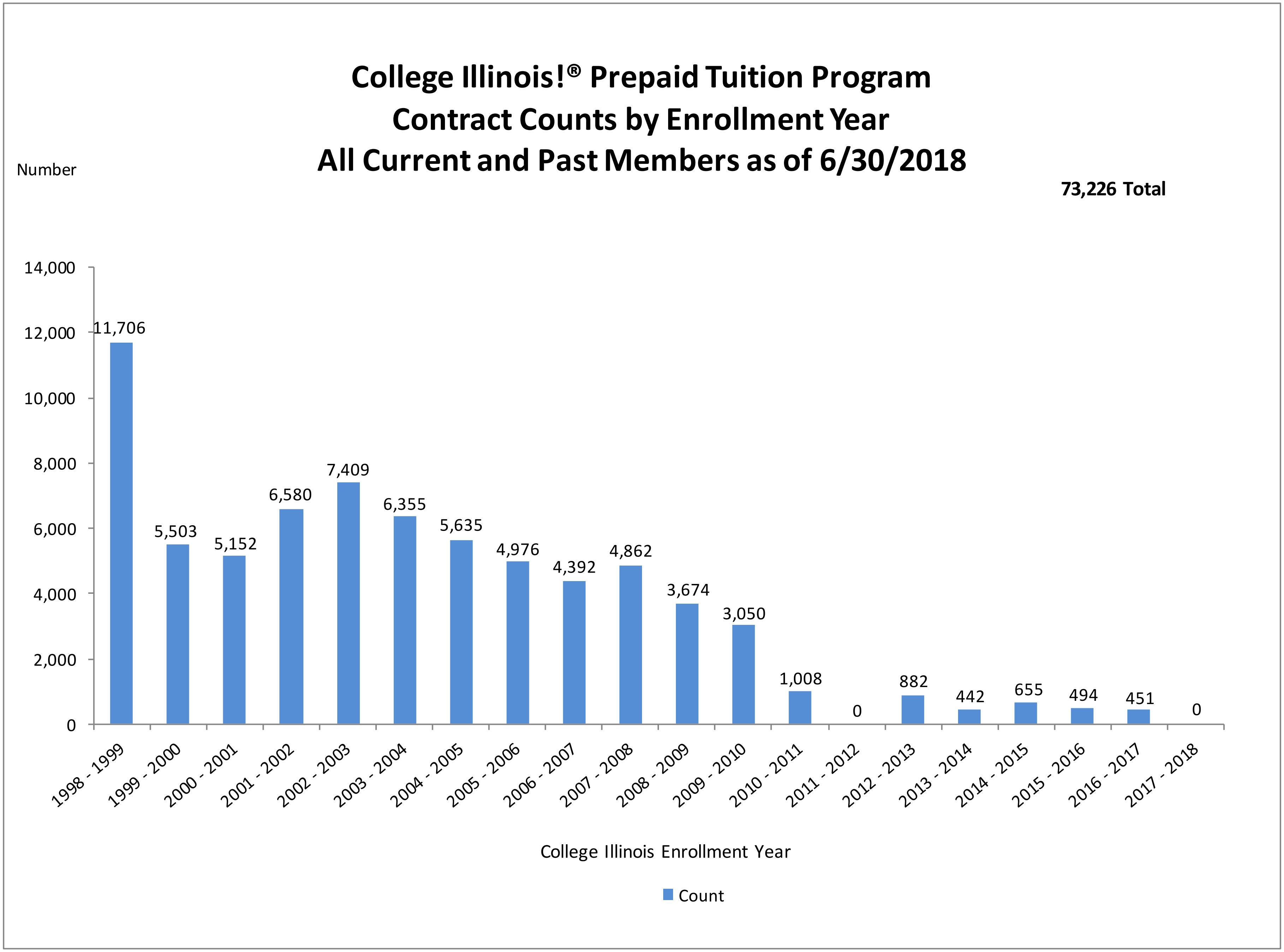
Statement of Changes in Plan Net Assets

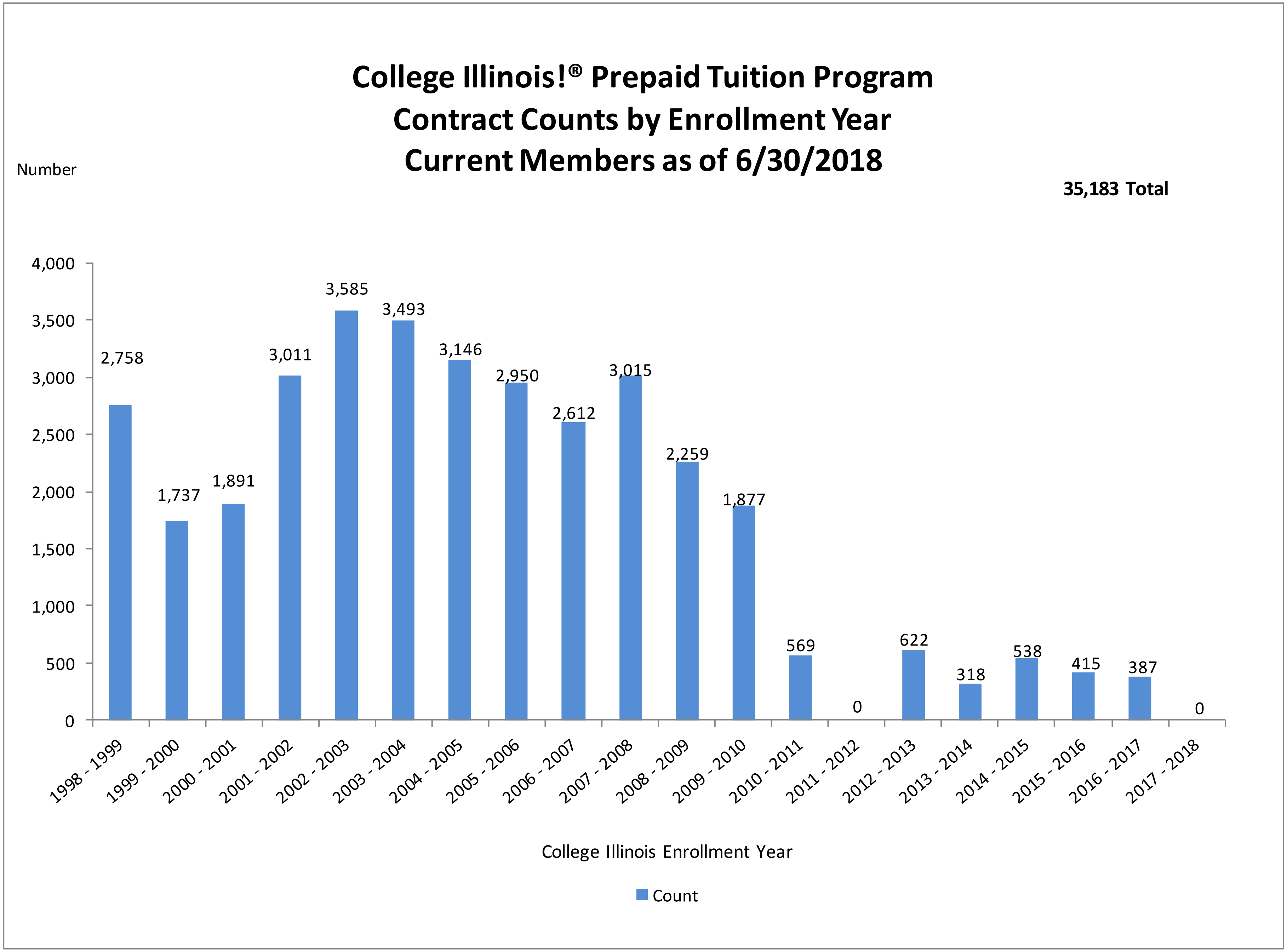
Twelve Month Period ended June 30, 2018

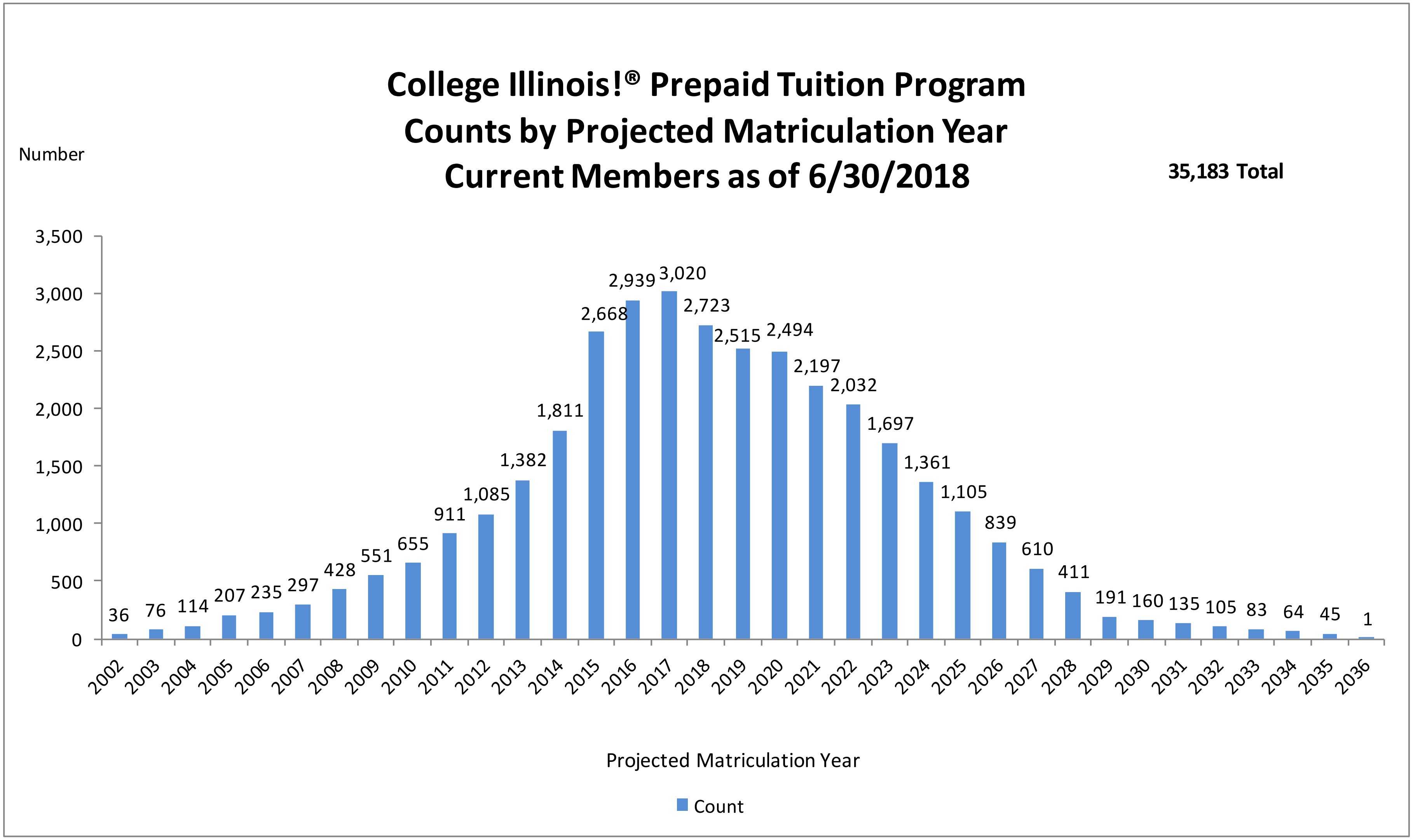
Beginning of Period		7/1/2017
End of Period		6/30/2018
Additions:		
Contributions received	$	14,574,249
Gross investment income		13,440,766
Realized/Unrealized investment gains/(losses)		35,939,404
Total Additions	$	63,954,419
Deductions:		
Tuition payments	$	125,630,975
Refunds to Purchasers		23,058,872
Investment expenses & advisory fees		2,558,233
Administrative expenses		4,314,146
Total Deductions	$	155,562,226
Net increase/(decrease)	$	(91,607,807)
Market Value of Assets:		
Beginning of period	$	904,972,812
End of period (6/30/2018)	$	813,365,005
Present Value of Future Contributions by Current Contract Holders		33,033,617
Market Value of Total Fund Assets as of June 30, 2018	$	846,398,622

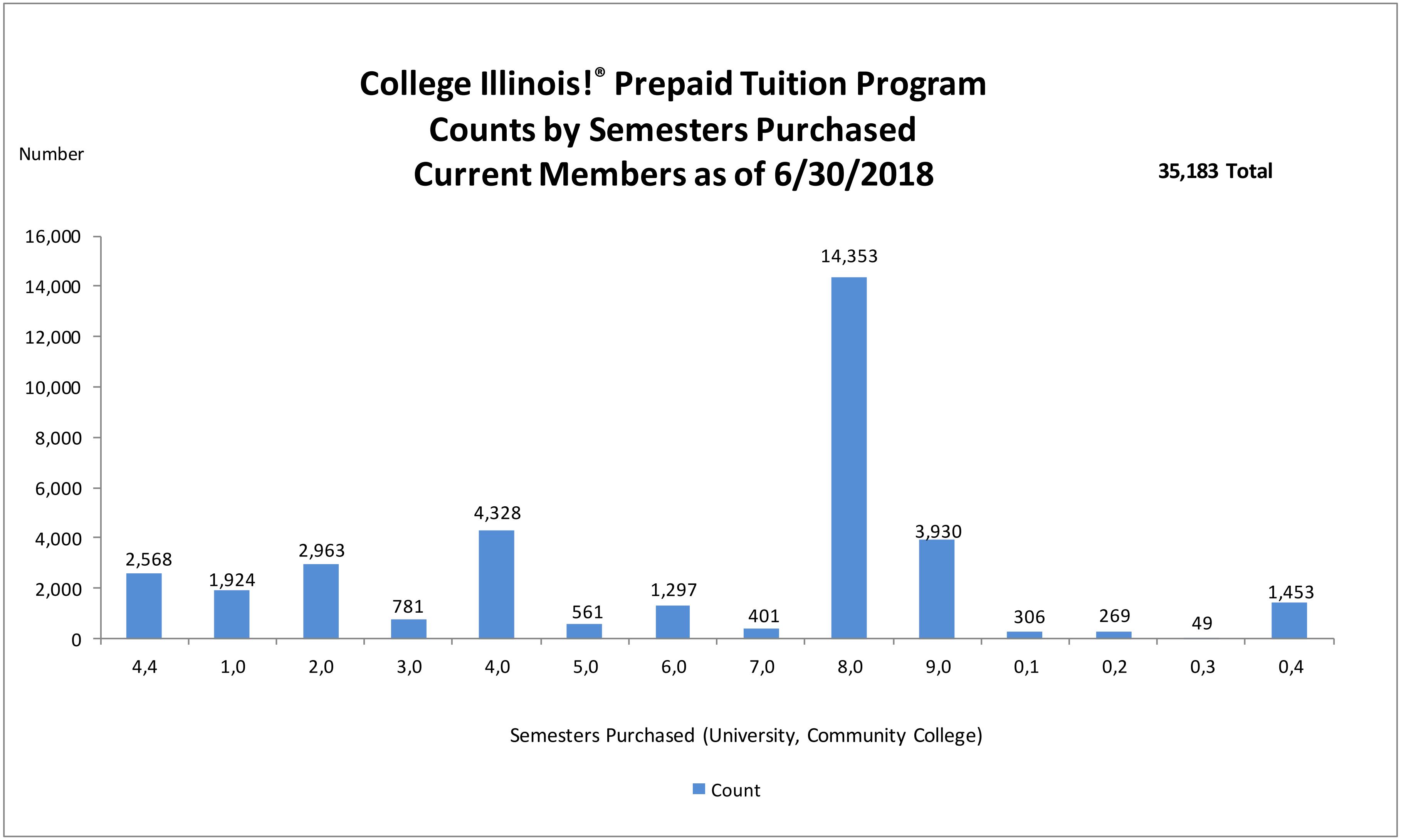
SECTION D

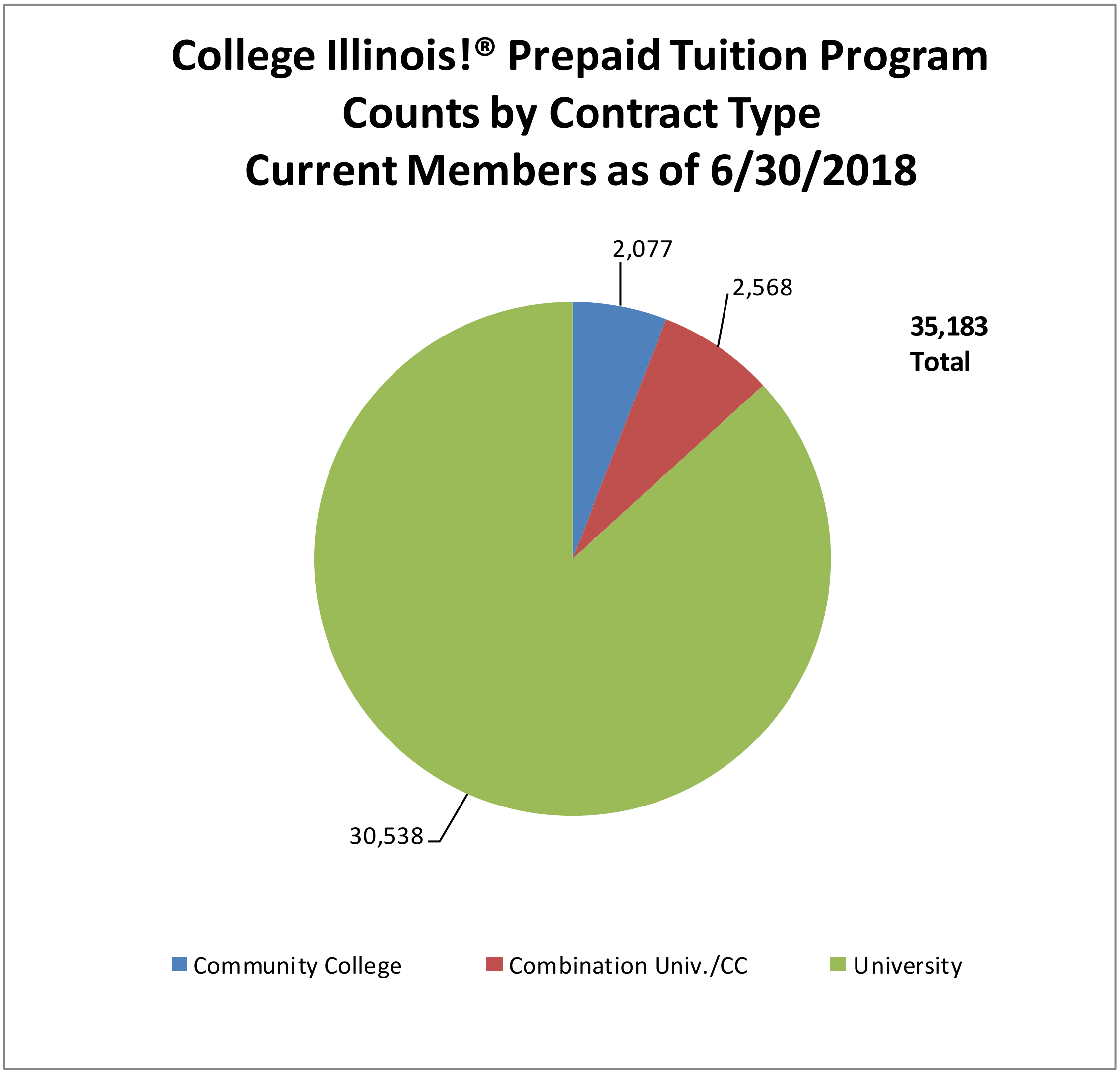
PARTICIPANT DATA


College Illinois!® Prepaid Tuition Program
Contract Counts by Enrollment Year
All Current and Past Members as of 6/30/2018
Number
73,226 Total
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
11,706
5,503
5,152
6,580
7,409
6,355
5,635
4,976
4,392
4,862
3,674
3,050
1,008
0
882
442
655
494
451
0
1998 - 1999
1999 - 2000
2000 - 2001
2001 - 2002
2002 - 2003
2003 - 2004
2004 - 2005
2005 - 2006
2006 - 2007
2007 - 2008
2008 - 2009
2009 - 2010
2010 - 2011
2011 - 2012
2012 - 2013
2013 - 2014
2014 - 2015
2015 - 2016
2016 - 2017
2017 - 2018
College Illinois Enrollment Year
Count

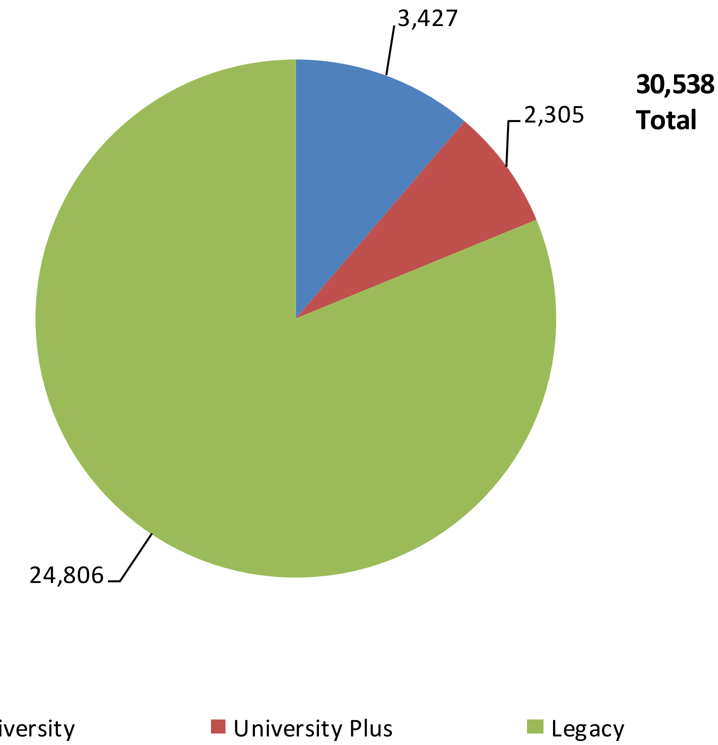

College Illinois!® Prepaid Tuition Program
Contract Counts by Enrollment Year
Current Members as of 6/30/2018
Number
35,183 Total
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2,758
1,737
1,891
3,011
3,585
3,493
3,146
2,950
2,612
3,015
2,259
1,877
569
0
622
318
538
415
387
0
1998 - 1999
1999 - 2000
2000 - 2001
2001 - 2002
2002 - 2003
2003 - 2004
2004 - 2005
2005 - 2006
2006 - 2007
2007 - 2008
2008 - 2009
2009 - 2010
2010 - 2011
2011 - 2012
2012 - 2013
2013 - 2014
2014 - 2015
2015 - 2016
2016 - 2017
2017 - 2018
College Illinois Enrollment Year
Count


College Illinois!® Prepaid Tuition Program
Counts by Projected Matriculation Year
Current Members as of 6/30/2018
35,183 Total
Number
3,500
3,000
2,500
2,000
1,500
1,000
500
0
36
76
114
207
235
297
428
551
655
911
1,085
1,382
1,811
2,668
2,939
3,020
2,723
2,515
2,494
2,197
2,032
1,697
1,361
1,105
839
610
411
191
160
135
105
83
64
45
1
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
2035
2036
Projected Matriculation Year
Count


College Illinois!® Prepaid Tuition Program
Counts by Semesters Purchased
Current Members as of 6/30/2018
Number
35,183 Total
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
2,568
1,924
2,963
781
4,328
561
1,297
401
14,353
3,930
306
269
49
1,453
4,4
1,0
2,0
3,0
4,0
5,0
6,0
7,0
8,0
9,0
0,1
0,2
0,3
0,4
Semesters Purchased (University, Community College)
Count


College Illinois!® Prepaid Tuition Program
Counts by Contract Type
Current Members as of 6/30/2018
2,077
2,568
35,183
Total
30,538
Community College
Combination Univ./CC
University

College Illinois!® Prepaid Tuition Program
University Counts by Type
Current Members as of 6/30/2018



SECTION E

ACTUARIAL VALUATION METHODS & 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, 2018

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 percent. (First effective with the actuarial soundness valuation as of June 30, 2018, and prescribed to us by ISAC.)

Net Investment Return Rate

Fiscal Year Ending 6/30	Net Investment Return Rate
2019	6.250%
2020	5.893%
2021	5.536%
2022	5.179%
2023	4.822%
2024	4.465%
2025	4.108%
2026 +	3.750%

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 consistent with 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†
2018-2019 Weighted Tuition	$3,942	$10,925	$13,885	$11,687
2018-2019 Weighted Fees	502	3,904	3,968	3,921
2018-2019 Total WATF	4,444	14,829	17,853	15,608

†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
2018-2019 Total WATF	$4,444	$14,829	$17,853	$15,608
2017-2018 Total WATF	4,356	14,404	17,716	15,281
WATF Increase	2.02%	2.95%	0.77%	2.14%

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 2018-2019 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, 2018, Actuarial Valuation				
Effective Date	Community College	University	University Plus	Legacy
6/30/2018 and Beyond	5.00%	5.00%	5.00%	5.00%

(First effective with the actuarial soundness valuation as of June 30, 2016, and provided 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
2018-2019 Weighted Tuition	$3,942	$10,925	$13,885	$11,687
2017-2018 Weighted Tuition	3,862	10,675	13,884	11,525
2016-2017 Weighted Tuition	3,698	10,410	14,136	11,318
2015-2016 Weighted Tuition	3,549	10,082	14,136	11,022
2014-2015 Weighted Tuition	3,331	9,903	14,145	10,871

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 and those who have matriculated, but have not used credits within the past year. 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 and those who have matriculated, but have not used credits within the past year.

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%

Actuarial Valuation Methods and Assumptions

Utilization of Benefits

The following rates apply to contract beneficiaries who have not yet matriculated and those who have matriculated, but have not used 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 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 percent for two years and then decline at the same rate the present value of benefits declines (combined with a 2.50 percent increase for inflation). The present value of future administrative expenses was determined to be equal to approximately 2.5 percent 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
2018	$0	$4,314,146	$4,314,146	0.00%
2019	0	4,422,000	4,422,000	
2020	0	4,532,550	4,532,550	

Mortality and Disability

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

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 the number of contract units used equal to the number of contract units purchased.

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 F

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.

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. Contract Payments

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.

College Illinois!® Prepaid Tuition Program

Supplemental Actuarial Soundness Valuation Report as of June 30, 2018

GRS Retirement Consulting
P: 312.456.9800 | F: 312.683.3271 | www.grsconsulting.com

December 20, 2018

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, 2018

Dear Mr. Zarnikow:

In accordance with the request of the Illinois Student Assistance Commission ("ISAC"), Gabriel, Roeder, Smith & Company ("GRS") has performed projections of the College Illinois!® Prepaid Tuition Program ("Program" or "CIPTP") under alternative open group and closed group scenarios. The purpose of these projections is to provide additional information to ISAC regarding a range of potential outcomes of different future year contract sales scenarios.

Although program enrollment is currently on hold pending discussions with policymakers, we have provided alternate open group projections assuming new contract sales after June 30, 2018, beginning in fiscal year 2020. Please note that the open group scenarios included in this report (1) were specifically requested by ISAC, (2) are presented for illustrative purposes only and (3) do not consider how increases in contract prices can impact future sales. Because there are many factors that may impact the decision to purchase or not to purchase a prepaid tuition contract in Illinois, including but not limited to (1) increasingly unaffordable college tuition, (2) uncertainty about the state's support and funding for higher education in Illinois, (3) contract prices, (4) the level of contribution premium over the expected costs, and (5) competing savings vehicles, etc., it is very difficult to assess the likelihood of selling a particular number of contracts. Therefore, GRS is unable to judge the reasonableness of these open group contract sales scenarios.

While the closing of the CIPTP has not occurred (although program enrollment is currently on hold), we have also provided an alternate closed group projection assuming no new contract sales after June 30, 2018. Please note that this closed group scenario was specifically requested by ISAC and is also presented for illustrative purposes only.

For purposes of this analysis, we used the actuarial soundness valuation results from the June 30, 2018 Actuarial Soundness Valuation, and unless noted differently, the same actuarial assumptions and methods as used for the June 30, 2018 Actuarial Soundness Valuation.

The projection results summarized in this 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.

120 North LaSalle Street | Suite 1350 | Chicago, Illinois 60602-3495

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

Please understand that future actuarial measurements may differ significantly from the current measurements presented in this analysis 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 supplemental report is one of multiple documents providing actuarial soundness valuation results for the College Illinois!® Prepaid Tuition Program as of June 30, 2018. Additional information regarding the underlying financial and beneficiary data and important additional disclosures are provided in the June 30, 2018 Actuarial Soundness Valuation. Section D of this report contains a summary of the actuarial assumptions and methods.

This supplemental report is not a recommendation to anyone to participate or not participate in the CIPTP. GRS makes no representations or warranties to any person participating in or considering participation in the CIPTP.

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.

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 contained herein.

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

Respectfully submitted,

Gabriel, Roeder, Smith and Company

SIGNED ORIGINAL ON FILE	SIGNED ORIGINAL ON FILE
Lance J. Weiss, EA, MAAA, FCA Senior Consultant and Team Leader	Amy Williams, ASA, MAAA, FCA Consultant

SECTION A

BACKGROUND

Background

Purpose of Projections

In accordance with the request of the Illinois Student Assistance Commission ("ISAC"), Gabriel, Roeder, Smith & Company ("GRS") has performed projections of the College Illinois!® Prepaid Tuition Program ("Program" or "CIPTP") under alternative open group and closed group scenarios. The purpose of these projections is to provide additional information to ISAC regarding a range of potential outcomes of different future year contract sales scenarios.

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 will be 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.

Illustrative Open and Closed Group Scenarios

Although program enrollment is currently on hold pending discussions with policymakers, we have provided alternate open group projections assuming new contract sales after June 30, 2018, beginning in fiscal year 2020. Please note that the open group scenarios included in this report (1) were specifically requested by ISAC, (2) are presented for illustrative purposes only and (3) do not consider how increases in contract prices can impact future sales. Because there are many factors that may impact the decision to purchase or not to purchase a prepaid tuition contract in Illinois, including but not limited to (1) increasingly unaffordable college tuition, (2) uncertainty about the state's support and funding for higher education in Illinois, (3) contract prices, (4) the level of contribution premium over the expected costs, and (5) competing savings vehicles, etc., it is very difficult to assess the likelihood of selling a particular number of contracts. Therefore, GRS is unable to judge the reasonableness of these open group contract scenarios.

While the closing of the CIPTP has not occurred (although program enrollment is currently on hold), we have also provided an alternate closed group projection assuming no new contract sales after June 30, 2018. Please note that this closed group scenario was specifically requested by ISAC and is also presented for illustrative purposes only.

Historical Number of Contracts Sold by Enrollment Year

The chart on page D-1 in Section D of the June 30, 2018 Actuarial Soundness Valuation Report illustrates the number of contracts sold by enrollment year.

As this chart indicates, the number of contracts sold has decreased significantly during the last five enrollment years from the number sold per year in previous years.

- The average annual number of contracts sold beginning with the enrollment period 1999/2000 and ending with the enrollment period 2009/2010 was 5,235.
- The average annual number of contracts sold during the last seven-year period 2010/2011 to 2016/2017 was 559 including 2011/2012 when the plan was not open for new contract sales.
- The average annual number of contracts sold during the last seven-year period 2010/2011 to 2016/2017 was 652 excluding 2011/2012 when the plan was not open for new contract sales.
- Program enrollment was placed on hold commencing with the 2017/2018 enrollment period. Therefore, there were zero contracts sold during the 2017/2018 enrollment period and expected to be sold during the 2018/2019 enrollment period.

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, 2018 Actuarial Soundness Valuation, and unless noted differently, the same actuarial assumptions and methods as used for the June 30, 2018 Actuarial Soundness Valuation. The contract prices for future new contracts were based on the prices for the most recent enrollment period from January 18, 2017 through May 31, 2017 increased by actual tuition and fee increases for fiscal years 2018 and 2019, and are assumed to increase each year by the tuition and fee increase assumption thereafer. The contract prices for the enrollment period from January 18, 2017, through May 31, 2017 were based on different investment return and tuition and fee increase assumptions than the assumptions used for the Actuarial Soundness Valuation as of June 30, 2018. (We have not recalculated prices for future contracts using the current assumptions for purposes of the open-group projections.)

For the June 30, 2018 Actuarial Soundness Valuation, and for those projection scenarios where the Trust assets are depleted in the future and the funded ratio remains low thereafter, 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 6.25% to 3.75% 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 has assets of approximately $12-$14 billion, and 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 3.75%.

Important Disclosure

This supplemental report 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 or considering participation in the CIPTP.

SECTION B

PROJECTION RESULTS

Discussion of Scenario Results

Scenario 1 – 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 after June 30, 2018. Under this scenario, future payments from current contract holders, current Trust assets and future investment income are projected to be insufficient by the year 2026 to make the required tuition payments and additional funds will be required to maintain solvency ($501.2 million for the period 2026 to 2053). The CIPTP funded status is projected to decrease from 73.3% in 2018 to 0.5% in 2026 (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 2026. 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 6.25% for year ending June 30, 2019 to 3.75% beginning for year ending June 30, 2026, in equal yearly increments of 0.357%.

Scenario 2 – Open Group -- 500 New Contracts Sold Per Year

Scenario 2 illustrates the results of an open group projection scenario assuming 500 new contracts are sold each year, beginning in fiscal year 2020. Under this illustrative new contract sales assumption, future payments from current and future contract holders, current Trust assets and future investment income are projected to be insufficient to make the required tuition payments in the year 2026 and additional funds will be required to maintain solvency ($405.1 million for the period 2026 to 2055). The CIPTP funded status is projected to decrease from 73.3% in 2018 to a low of 6.9% in 2026 (when additional solvency contributions are required) and then very slowly increase to only 14.8% in 2055.

Under this scenario, the Trust assets are projected to be depleted in 2026, and the funded ratio remains low for the remaining years in the projection period. 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 6.25% for year ending June 30, 2019 to 3.75% beginning for year ending June 30, 2026, in equal yearly increments of 0.357%.

Scenario 3 – Open Group -- 1,000 New Contracts Sold Per Year

Scenario 3 illustrates the results of an open group projection scenario assuming 1,000 new contracts are sold each year, beginning in fiscal year 2020. Under this illustrative new contract sales assumption, future payments from current and future contract holders, current Trust assets and future investment income are projected to be insufficient to make the required tuition payments in the year 2028 and additional funds will be required to maintain solvency ($101.4 million for the period 2028 to 2032). The CIPTP funded status is projected to decrease from 74.0% in 2018 to a low of 13.1% in 2028 (when additional solvency contributions are required) and then very slowly increase to only 25.7% in 2055.

Under this scenario, the Trust assets are projected to be depleted in 2028, and the funded ratio remains low for the remaining years in the projection period. 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 6.25% for year ending June 30, 2018 to 3.75% beginning for year ending June 30, 2028, in equal yearly increments of 0.278%.

Scenario 4 – Open Group -- 1,500 New Contracts Sold Per Year

Scenario 4 illustrates the results of an open group projection scenario assuming 1,500 new contracts are sold each year, beginning in fiscal year 2020. Under this illustrative new contract sales assumption, future payments from current and future contract holders, current Trust assets and future investment income are projected to be sufficient to make the required tuition payments in all projection years. The CIPTP funded status is projected to decrease from 77.3% in 2018 to a low of 36.6% in 2029 before increasing to 76.1% in 2055.

Under this scenario, the Trust assets are not projected to be depleted during the projection period. Therefore, we have used a flat investment return (and discount rate) assumption of 6.25% for this projection scenario. This assumes that ISAC is able to maintain the current asset allocation throughout the entire projection period.

Scenario 5 – Open Group -- 2,500 New Contracts Sold Per Year

Scenario 5 illustrates the results of an open group projection scenario assuming 2,500 new contracts are sold each year, beginning in fiscal year 2020. Under this illustrative new contract sales assumption, future payments from current and future contract holders, current Trust assets and future investment income are projected to be sufficient to make the required tuition payments in all projection years. However, the CIPTP funded status is projected to decrease from 77.3% in 2018 to a low of 59.2% in 2025 before increasing to 126.7% in 2055. The funded status is projected to first reach 100% in 2044.

Under this scenario, the Trust assets are not projected to be depleted during the projection period. Therefore, we have used a flat investment return (and discount rate) assumption of 6.25% for this projection scenario. This assumes that ISAC is able to maintain the current asset allocation throughout the entire projection period.

Scenario 6 – Open Group -- 5% Annual Contract Sales Growth from 500 Contracts Sold in FY20 to 2,500 Contracts Sold and then Stable at 2,500 Contracts Per Year

Scenario 6 illustrates the results of an open group projection scenario assuming 500 new contracts are sold in 2020 and then the number of new contract sales increases by 5.0% each year to 2,500 new contracts sold in 2053 and each future year. Under this illustrative new contract sales assumption, future payments from current and future contract holders, current Trust assets and future investment income are projected to be insufficient to make the required tuition payments in years 2027 through 2032 and additional solvency contributions will be required to maintain solvency ($207.8 million for the period 2027 to 2032). The CIPTP funded status is projected to decrease from 77.3% in 2018 to a low of 10.2% in 2027 (and additional solvency contributions are required) before increasing to 93.1% in 2055.

Under this scenario, the Trust assets are projected to be depleted in 2027. However, because additional solvency contributions are only required for six years before the funded status is projected to increase, we have used a flat investment return (and discount rate) assumption of 6.25% for this projection scenario. This assumes that ISAC is able to maintain the current asset allocation throughout most of the projection period.

Scenario 7 – Open Group -- 10% Annual Contract Sales Growth from 500 Contracts Sold in FY20 to 2,500 Contracts Sold and then Stable at 2,500 Contracts Per Year

Scenario 7 illustrates the results of an open group projection scenario assuming 500 new contracts are sold in 2020 and then the number of new contract sales increases by 10.0% each year to 2,500 new contracts sold in 2037 and each future year. Under this illustrative new contract sales assumption, future payments from current and future contract holders, Trust assets and future investment income are projected to be insufficient to make the required tuition payments in years 2027 through 2030 and additional solvency contributions will be required to maintain solvency ($130.0 million for the period 2027 through 2030). The CIPTP funded status is projected to decrease from 77.3% in 2018 to a low of 12.2% in 2027 (and additional solvency contributions are required) before increasing to 111.3% in 2055. The funded status is projected to first reach 100% in 2051.

Under this scenario, the Trust assets are projected to be depleted in 2027. However, because additional solvency contributions are only required for four years before the funded status is projected to increase, we have used a flat investment return (and discount rate) assumption of 6.25% for this projection scenario. This assumes that ISAC is able to maintain the current asset allocation throughout most of the projection period.

Scenario 8 – Open Group -- 15% Annual Contract Sales Growth from 500 Contracts Sold in FY20 to 2,500 Contracts Sold and then Stable at 2,500 Contracts Per Year

Scenario 8 illustrates the results of an open group projection scenario assuming 500 new contracts are sold in 2020 and then the number of new contract sales increases by 15.0% each year to 2,500 new contracts sold in 2032 and each future year. Under this illustrative new contract sales assumption, future payments from current and future contract holders, Trust assets and future investment income are projected to be insufficient to make the required tuition payments in years 2027 through 2029 and additional solvency contributions will be required to maintain solvency ($65.2 million for the period 2027 through 2029). The CIPTP funded status is projected to decrease from 77.3% in 2018 to a low of 14.3% in 2027 (and additional solvency contributions are required) before increasing to 112.6% in 2055. The funded status is projected to first reach 100% in 2050.

Under this scenario, the Trust assets are projected to be depleted in 2027. However, because additional solvency contributions are only required for three years before the funded status is projected to increase, we have used a flat investment return (and discount rate) assumption of 6.25% for this projection scenario. This assumes that ISAC is able to maintain the current asset allocation throughout most of the projection period.

Summary

Under the scenarios in which 2,500 contracts are assumed to ultimately be sold each year (Scenarios 5 through 8), the funded status is projected to reach 90% or higher during the projection period.

Summary Table

						Funded Ratio			Funded Ratio Year	
Scenario	Scenario Description	Discount Rate/Type	Tuition/Fee Increase	Year of Asset Depletion	Required Solvency Contributions	2018	2055	Minimum	Minimum	100%
1	Closed Group (Run-Off)	Select and Ultimate	5.00%	2026	$ 501,243,688	73.3%	0.0%	0.0%	2032	NA
2	Open Group (500 New Contracts Per Year)	Select and Ultimate	5.00%	2026	$ 405,070,701	73.3%	14.8%	6.9%	2026	NA
3	Open Group (1,000 New Contracts Per Year)	Select and Ultimate	5.00%	2028	$ 101,396,923	74.0%	25.7%	13.1%	2028	NA
4	Open Group (1,500 New Contracts Per Year)	6.25%	5.00%	NA	$ -	77.3%	76.1%	36.6%	2029	NA
5	Open Group (2,500 New Contracts Per Year)	6.25%	5.00%	NA	$ -	77.3%	126.7%	59.2%	2025	2044
6	Open Group (5% Annual Growth)*	6.25%	5.00%	2027	$ 207,791,463	77.3%	93.1%	10.2%	2027	NA
7	Open Group (10% Annual Growth)*	6.25%	5.00%	2027	$ 130,018,635	77.3%	111.3%	12.2%	2027	2051
8	Open Group (15% Annual Growth)*	6.25%	5.00%	2027	$ 65,246,786	77.3%	112.6%	14.3%	2027	2050

**500 contracts assumed to be sold in FY 2020, with an annual increase in contract sales until a maximum of 2,500 contracts per year are sold annually.*

Scenario Summary - Projected Funded Ratio
Projection Based on Data as of June 30, 2018
Assumed Net Investment Return and Discount Rates Vary by Scenario
Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2018

Scenario		1	2	3	4	5	6	7	8
Description		Closed Group	Open Group	Open Group	Open Group	Open Group	Open Group [a]	Open Group [a]	Open Group [a]
Annual New Contracts		0	500	1,000	1,500	2,500	500	500	500
Increase in Annual New Contracts							5%	10%	15%
Annual WAT/Price Increase		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Ultimate Discount Rate (UDR)		3.75%	3.75%	3.75%	6.25%	6.25%	6.25%	6.25%	6.25%
Year of Asset Depletion		2026	2026	2028	NA	NA	2027	2027	2027
Year Ending 6/30	2018	73.3%	73.3%	74.0%	77.3%	77.3%	77.3%	77.3%	77.3%
	2019	69.4%	69.4%	70.1%	73.7%	73.7%	73.7%	73.7%	73.7%
	2020	64.5%	63.4%	64.0%	67.9%	67.6%	68.2%	68.2%	68.2%
	2021	58.2%	57.3%	58.6%	64.0%	65.3%	62.5%	62.5%	62.5%
	2022	49.8%	49.6%	52.3%	59.5%	63.0%	55.4%	55.5%	55.5%
	2023	39.0%	40.6%	45.3%	54.8%	61.0%	46.9%	47.2%	47.5%
	2024	25.1%	30.1%	37.9%	50.3%	59.6%	37.1%	37.9%	38.7%
	2025	5.7%	17.7%	30.1%	46.0%	59.2%	25.5%	27.3%	29.2%
	2026	0.5%	6.9%	22.3%	42.2%	59.4%	12.5%	16.1%	20.0%
	2027	0.4%	8.2%	14.9%	39.2%	60.5%	10.2%	12.2%	14.3%
	2028	0.4%	9.4%	13.1%	37.4%	62.3%	12.1%	14.5%	17.1%
	2029	0.3%	10.6%	14.0%	36.6%	64.6%	14.0%	16.9%	19.9%
	2030	0.1%	11.7%	14.7%	36.9%	67.2%	15.6%	18.8%	23.2%
	2031	0.1%	12.5%	15.1%	38.0%	70.0%	16.9%	20.7%	29.1%
	2032	0.0%	13.2%	15.3%	39.6%	72.8%	17.9%	24.8%	36.4%
	2033	0.0%	13.6%	15.5%	41.5%	75.6%	19.1%	30.2%	43.6%
	2034	0.0%	13.9%	16.0%	43.4%	78.2%	21.3%	36.2%	49.9%
	2035	0.0%	14.1%	16.7%	45.4%	80.8%	24.3%	42.4%	55.5%
	2036	0.0%	14.2%	17.5%	47.2%	83.2%	27.8%	48.7%	60.6%
	2037	0.0%	14.3%	18.3%	49.0%	85.6%	31.4%	54.7%	65.0%
	2038	0.0%	14.3%	19.0%	50.8%	87.9%	35.2%	60.4%	69.0%
	2039	0.0%	14.3%	19.6%	52.4%	90.2%	39.0%	65.4%	72.6%
	2040	0.0%	14.3%	20.2%	53.9%	92.4%	42.8%	69.8%	75.9%
	2041	0.0%	14.4%	20.6%	55.4%	94.6%	46.6%	73.7%	79.0%
	2042	0.0%	14.4%	21.0%	56.7%	96.7%	50.2%	77.3%	81.8%
	2043	0.0%	14.4%	21.3%	58.1%	98.9%	53.9%	80.6%	84.4%
	2044	0.0%	14.4%	21.7%	59.5%	101.0%	57.5%	83.7%	87.0%
	2045	0.0%	14.5%	22.0%	60.8%	103.2%	61.0%	86.6%	89.4%
	2046	0.0%	14.5%	22.3%	62.2%	105.4%	64.5%	89.3%	91.8%
	2047	0.0%	14.5%	22.6%	63.6%	107.6%	67.9%	91.9%	94.1%
	2048	0.0%	14.6%	22.9%	65.1%	109.9%	71.2%	94.4%	96.4%
	2049	0.0%	14.6%	23.3%	66.6%	112.2%	74.5%	96.9%	98.7%
	2050	0.0%	14.6%	23.7%	68.1%	114.5%	77.8%	99.3%	101.0%
	2051	0.0%	14.7%	24.0%	69.6%	116.9%	80.9%	101.7%	103.3%
	2052	0.0%	14.7%	24.4%	71.2%	119.3%	84.0%	104.1%	105.6%
	2053	0.0%	14.7%	24.8%	72.8%	121.7%	87.1%	106.5%	107.9%
	2054	0.0%	14.7%	25.3%	74.4%	124.2%	90.2%	108.9%	110.2%
	2055	0.0%	14.8%	25.7%	76.1%	126.7%	93.1%	111.3%	112.6%
Minimum Funded Ratio		0.0%	6.9%	13.1%	36.6%	59.2%	10.2%	12.2%	14.3%

[a] *500 contracts assumed to be sold in FY 2020, with an annual increase in contract sales until a maximum of 2,500 contracts per year are sold annually.*

Scenario Summary - Projected Additional Required Solvency Contributions
Projection Based on Data as of June 30, 2018
Assumed Net Investment Return and Discount Rates Vary by Scenario
Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2018

Scenario		1	2	3	4	5	6	7	8
Description		Closed Group	Open Group	Open Group	Open Group	Open Group	Open Group [a]	Open Group [a]	Open Group [a]
Annual New Contracts		0	500	1,000	1,500	2,500	500	500	500
Increase in Annual New Contracts							5%	10%	15%
Annual WAT/Price Increase		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Ultimate Discount Rate (UDR)		3.75%	3.75%	3.75%	6.25%	6.25%	6.25%	6.25%	6.25%
Year of Asset Depletion		2026	2026	2028	NA	NA	2027	2027	2027
Year Ending 6/30	2018	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	2019	-	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-	-
	2021	-	-	-	-	-	-	-	-
	2022	-	-	-	-	-	-	-	-
	2023	-	-	-	-	-	-	-	-
	2024	-	-	-	-	-	-	-	-
	2025	-	-	-	-	-	-	-	-
	2026	80,542,379	18,604,533	-	-	-	-	-	-
	2027	92,083,192	80,158,475	-	-	-	53,655,325	33,535,392	10,136,567
	2028	75,808,574	64,306,966	27,013,285	-	-	57,467,571	48,551,321	37,047,040
	2029	64,612,146	53,803,599	36,049,811	-	-	45,321,812	33,723,123	18,063,179
	2030	49,140,801	39,265,895	21,956,495	-	-	28,982,652	14,208,799	-
	2031	37,509,474	28,711,837	12,047,210	-	-	16,465,817	-	-
	2032	27,961,764	20,274,414	4,330,122	-	-	5,898,286	-	-
	2033	20,950,425	14,444,671	-	-	-	-	-	-
	2034	15,446,964	10,214,255	-	-	-	-	-	-
	2035	11,489,857	7,397,064	-	-	-	-	-	-
	2036	8,454,037	5,552,314	-	-	-	-	-	-
	2037	5,909,165	4,075,516	-	-	-	-	-	-
	2038	4,104,650	3,243,309	-	-	-	-	-	-
	2039	2,782,556	3,088,437	-	-	-	-	-	-
	2040	1,735,927	3,108,803	-	-	-	-	-	-
	2041	1,062,469	3,260,444	-	-	-	-	-	-
	2042	694,848	3,498,313	-	-	-	-	-	-
	2043	419,562	3,645,702	-	-	-	-	-	-
	2044	255,639	3,733,338	-	-	-	-	-	-
	2045	136,615	3,730,246	-	-	-	-	-	-
	2046	90,630	3,723,038	-	-	-	-	-	-
	2047	25,848	3,628,495	-	-	-	-	-	-
	2048	13,728	3,534,081	-	-	-	-	-	-
	2049	6,950	3,421,164	-	-	-	-	-	-
	2050	3,235	3,274,616	-	-	-	-	-	-
	2051	1,460	3,100,931	-	-	-	-	-	-
	2052	597	2,907,727	-	-	-	-	-	-
	2053	196	2,694,697	-	-	-	-	-	-
	2054	-	2,461,238	-	-	-	-	-	-
	2055	-	2,206,583	-	-	-	-	-	-
	Total	501,243,688	405,070,701	101,396,923	-	-	207,791,463	130,018,635	65,246,786

[a] *500 contracts assumed to be sold in FY 2020, with an annual increase in contract sales until a maximum of 2,500 contracts per year are sold annually.*

SECTION C

ALTERNATIVE SCENARIOS PROJECTION TABLES

Closed Group Projections
Scenario 1 — Run-Off Scenario
Projection Based on Data as of June 30, 2018
Assumed Net Investment Return and Discount Rates Graded Down from 6.25% to 3.75% in 0.357% Yearly Increments
Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2018
Zero New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds and Fees	Administrative Expenses	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
2018			$ 14,574,249	$ -	$ 148,689,847	$ 4,314,146	$ 46,821,937	$ 813,365,005	$ 33,033,617	$ 846,398,622	$ 1,125,284,937	$ 28,825,358	$ 1,154,110,294	$ 307,711,672	73.3%
2019	6.250%	0	10,483,115	-	150,251,752	4,422,000	46,397,643	715,572,011	24,292,470	739,864,481	1,040,739,284	26,068,849	1,066,808,133	326,943,652	69.4%
2020	5.893%	0	7,534,932	-	145,963,226	4,532,550	38,016,612	610,627,779	17,970,255	628,598,034	951,867,579	22,940,896	974,808,475	346,210,441	64.5%
2021	5.536%	0	5,637,849	-	146,390,225	4,249,140	29,844,774	495,471,037	13,173,285	508,644,322	854,175,242	19,845,732	874,020,974	365,376,652	58.2%
2022	5.179%	0	4,667,453	-	145,690,793	3,908,367	21,954,812	372,494,142	9,068,739	381,562,881	748,997,143	16,865,246	765,862,389	384,299,508	49.8%
2023	4.822%	0	3,201,900	-	135,301,933	3,512,792	14,730,535	251,611,852	6,227,844	257,839,696	646,588,127	14,082,000	660,670,127	402,830,431	39.0%
2024	4.465%	0	2,252,346	-	122,494,864	3,108,307	8,510,734	136,771,762	4,203,837	140,975,599	550,258,588	11,533,819	561,792,407	420,816,808	25.1%
2025	4.108%	0	1,436,498	-	114,995,338	2,711,358	3,254,430	23,755,994	2,910,824	26,666,818	455,529,640	9,241,140	464,770,780	438,103,962	5.7%
2026	3.750%	0	983,442	80,542,379	103,422,437	2,300,703	441,326	-	2,018,268	2,018,268	367,268,240	7,244,239	374,512,480	372,494,212	0.5%
2027	3.750%	0	766,447	92,083,192	90,948,337	1,901,302	-	-	1,313,267	1,313,267	288,402,875	5,579,275	293,982,150	292,668,883	0.4%
2028	3.750%	0	525,757	75,808,574	74,803,980	1,530,351	-	-	826,991	826,991	223,024,337	4,229,716	227,254,053	226,427,062	0.4%
2029	3.750%	0	393,923	64,612,146	63,793,050	1,213,019	-	-	456,762	456,762	166,409,588	3,152,777	169,562,365	169,105,603	0.3%
2030	3.750%	0	286,949	49,140,801	48,500,028	927,722	-	-	181,610	181,610	123,248,913	2,326,050	125,574,963	125,393,353	0.1%
2031	3.750%	0	129,215	37,509,474	36,934,408	704,281	-	-	56,805	56,805	90,250,193	1,695,911	91,946,104	91,889,299	0.1%
2032	3.750%	0	55,079	27,961,764	27,488,233	528,610	-	-	2,833	2,833	65,635,681	1,221,078	66,856,759	66,853,926	0.0%
2033	3.750%	0	2,886	20,950,425	20,559,262	394,050	-	-	-	-	47,155,819	865,498	48,021,318	48,021,318	0.0%
2034	3.750%	0	-	15,446,964	15,156,782	290,182	-	-	-	-	33,485,806	602,382	34,088,188	34,088,188	0.0%
2035	3.750%	0	-	11,489,857	11,278,645	211,212	-	-	-	-	23,253,351	409,835	23,663,186	23,663,186	0.0%
2036	3.750%	0	-	8,454,037	8,303,699	150,338	-	-	-	-	15,667,391	272,073	15,939,464	15,939,464	0.0%
2037	3.750%	0	-	5,909,165	5,805,340	103,825	-	-	-	-	10,341,730	176,522	10,518,252	10,518,252	0.0%
2038	3.750%	0	-	4,104,650	4,034,404	70,246	-	-	-	-	6,620,192	111,590	6,731,782	6,731,782	0.0%
2039	3.750%	0	-	2,782,556	2,736,464	46,092	-	-	-	-	4,081,148	68,827	4,149,975	4,149,975	0.0%
2040	3.750%	0	-	1,735,927	1,706,803	29,125	-	-	-	-	2,495,681	41,742	2,537,422	2,537,422	0.0%
2041	3.750%	0	-	1,062,469	1,044,214	18,255	-	-	-	-	1,525,656	24,713	1,550,369	1,550,369	0.0%
2042	3.750%	0	-	694,848	683,409	11,439	-	-	-	-	886,763	13,988	900,751	900,751	0.0%
2043	3.750%	0	-	419,562	412,747	6,815	-	-	-	-	499,602	7,571	507,173	507,173	0.0%
2044	3.750%	0	-	255,639	251,704	3,935	-	-	-	-	261,957	3,847	265,804	265,804	0.0%
2045	3.750%	0	-	136,615	134,500	2,115	-	-	-	-	134,782	1,836	136,619	136,619	0.0%
2046	3.750%	0	-	90,630	89,515	1,115	-	-	-	-	48,659	769	49,428	49,428	0.0%
2047	3.750%	0	-	25,848	25,435	413	-	-	-	-	24,576	377	24,953	24,953	0.0%
2048	3.750%	0	-	13,728	13,514	214	-	-	-	-	11,732	174	11,906	11,906	0.0%
2049	3.750%	0	-	6,950	6,845	105	-	-	-	-	5,200	74	5,274	5,274	0.0%
2050	3.750%	0	-	3,235	3,187	48	-	-	-	-	2,149	28	2,177	2,177	0.0%
2051	3.750%	0	-	1,460	1,440	20	-	-	-	-	763	9	772	772	0.0%
2052	3.750%	0	-	597	590	7	-	-	-	-	190	2	192	192	0.0%
2053	3.750%	0	-	196	194	2	-	-	-	-	-	-	-	-	0.0%
2054	3.750%	0	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
2055	3.750%	0	-	-	-	-	-	-	-	-	-	-	-	-	0.0%

[a] *Additional contributions in the amount of $501,243,688 are needed over the years 2026 through 2053 to pay all benefits due.*

Open Group Projections
Scenario 2 — Continuing Business Scenario
Projection Based on Data as of June 30, 2018
Assumed Net Investment Return and Discount Rates Graded Down from 6.25% to 3.75% in 0.357% Yearly Increments
Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2018
500 New Contracts Per Year Beginning in FY 2020

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds and Fees	Administrative Expenses	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
2018			$ 14,574,249	$ -	$ 148,689,847	$ 4,314,146	$ 46,821,937	$ 813,365,005	$ 33,033,617	$ 846,398,622	$ 1,125,284,937	$ 28,825,358	$ 1,154,110,294	$ 307,711,672	73.3%
2019	6.250%	0	10,483,115	-	150,251,752	4,422,000	46,397,643	715,572,011	24,292,470	739,864,481	1,040,739,284	26,068,849	1,066,808,133	326,943,652	69.4%
2020	5.893%	500	7,534,932	-	145,963,226	6,532,550	37,958,525	608,569,692	25,616,067	634,185,759	967,667,802	32,220,107	999,887,909	365,702,150	63.4%
2021	5.536%	500	14,909,212	-	146,411,436	6,695,864	29,916,621	500,288,225	27,691,927	527,980,152	887,436,971	34,054,172	921,491,143	393,510,991	57.3%
2022	5.179%	500	16,011,311	-	145,981,490	6,863,260	22,411,351	385,866,137	29,584,485	415,450,622	801,346,282	35,697,135	837,043,417	421,592,795	49.6%
2023	4.822%	500	16,675,040	-	135,887,422	7,034,842	15,598,479	275,217,392	31,751,800	306,969,192	719,600,486	37,187,458	756,787,944	449,818,752	40.6%
2024	4.465%	500	17,923,158	-	123,388,056	7,210,713	9,800,443	172,342,225	33,623,123	205,965,348	645,145,054	38,759,661	683,904,715	477,939,367	30.1%
2025	4.108%	500	19,383,804	-	116,489,762	7,390,981	4,955,053	72,800,339	35,868,183	108,668,522	573,307,954	40,251,058	613,559,012	504,890,490	17.7%
2026	3.750%	500	20,423,444	18,604,533	105,605,004	7,575,756	1,352,444	-	38,176,334	38,176,334	508,577,693	41,521,715	550,099,409	511,923,075	6.9%
2027	3.750%	500	21,664,640	80,158,475	94,057,966	7,765,149	-	-	40,467,105	40,467,105	453,897,060	42,502,004	496,399,064	455,931,959	8.2%
2028	3.750%	500	22,884,344	64,306,966	79,232,033	7,959,277	-	-	42,820,932	42,820,932	413,111,250	43,495,188	456,606,438	413,785,506	9.4%
2029	3.750%	500	24,214,058	53,803,599	69,859,397	8,158,260	-	-	45,204,689	45,204,689	381,312,755	44,189,639	425,502,394	380,297,705	10.6%
2030	3.750%	500	25,554,539	39,265,895	56,458,217	8,362,217	-	-	47,640,435	47,640,435	363,039,719	44,751,821	407,791,540	360,151,105	11.7%
2031	3.750%	500	26,861,763	28,711,837	47,002,329	8,571,271	-	-	50,209,766	50,209,766	354,950,875	45,277,281	400,228,156	350,018,390	12.5%
2032	3.750%	500	28,291,216	20,274,414	39,780,076	8,785,554	-	-	52,855,993	52,855,993	355,180,765	45,905,336	401,086,101	348,230,108	13.2%
2033	3.750%	500	29,788,952	14,444,671	35,228,431	9,005,193	-	-	55,573,920	55,573,920	361,369,732	46,568,710	407,938,443	352,364,523	13.6%
2034	3.750%	500	31,394,821	10,214,255	32,378,754	9,230,322	-	-	58,352,616	58,352,616	372,335,726	47,359,796	419,695,522	361,342,906	13.9%
2035	3.750%	500	33,044,114	7,397,064	30,980,098	9,461,080	-	-	61,270,246	61,270,246	386,715,979	48,243,760	434,959,739	373,689,493	14.1%
2036	3.750%	500	34,696,320	5,552,314	30,551,027	9,697,607	-	-	64,333,759	64,333,759	403,833,388	49,206,112	453,039,500	388,705,741	14.2%
2037	3.750%	500	36,431,136	4,075,516	30,566,605	9,940,047	-	-	67,550,447	67,550,447	423,393,763	50,422,787	473,816,550	406,266,103	14.3%
2038	3.750%	500	38,252,693	3,243,309	31,307,454	10,188,548	-	-	70,927,969	70,927,969	444,543,942	51,810,205	496,354,147	425,426,178	14.3%
2039	3.750%	500	40,165,327	3,088,437	32,810,502	10,443,262	-	-	74,474,367	74,474,367	466,960,876	53,268,852	520,229,728	445,755,361	14.3%
2040	3.750%	500	42,173,594	3,108,803	34,578,054	10,704,344	-	-	78,198,086	78,198,086	490,663,394	54,768,880	545,432,273	467,234,187	14.3%
2041	3.750%	500	44,282,273	3,260,444	36,570,765	10,971,952	-	-	82,107,990	82,107,990	515,549,834	56,296,253	571,846,087	489,738,097	14.4%
2042	3.750%	500	46,496,387	3,498,313	38,748,449	11,246,251	-	-	86,213,390	86,213,390	541,545,696	57,823,814	599,369,510	513,156,120	14.4%
2043	3.750%	500	48,821,206	3,645,702	40,939,500	11,527,408	-	-	90,524,059	90,524,059	568,777,846	59,343,556	628,121,402	537,597,343	14.4%
2044	3.750%	500	51,262,267	3,733,338	43,180,013	11,815,592	-	-	95,050,262	95,050,262	597,322,675	60,864,241	658,186,916	563,136,654	14.4%
2045	3.750%	500	53,825,380	3,730,246	45,444,644	12,110,982	-	-	99,802,775	99,802,775	627,267,167	62,390,819	689,657,987	589,855,212	14.5%
2046	3.750%	500	56,516,649	3,723,038	47,825,930	12,413,757	-	-	104,792,914	104,792,914	658,664,465	63,923,338	722,587,803	617,794,889	14.5%
2047	3.750%	500	59,342,481	3,628,495	50,246,875	12,724,101	-	-	110,032,560	110,032,560	691,646,243	65,479,775	757,126,018	647,093,458	14.5%
2048	3.750%	500	62,309,605	3,534,081	52,801,482	13,042,204	-	-	115,534,188	115,534,188	726,247,775	67,061,840	793,309,615	677,775,427	14.6%
2049	3.750%	500	65,425,086	3,421,164	55,477,991	13,368,259	-	-	121,310,897	121,310,897	762,566,603	68,681,198	831,247,801	709,936,904	14.6%
2050	3.750%	500	68,696,340	3,274,616	58,268,490	13,702,466	-	-	127,376,442	127,376,442	800,698,505	70,347,188	871,045,693	743,669,251	14.6%
2051	3.750%	500	72,131,157	3,100,931	61,187,061	14,045,027	-	-	133,745,264	133,745,264	840,735,210	72,065,998	912,801,208	779,055,944	14.7%
2052	3.750%	500	75,737,715	2,907,727	64,249,290	14,396,152	-	-	140,432,527	140,432,527	882,772,806	73,841,241	956,614,047	816,181,520	14.7%
2053	3.750%	500	79,524,601	2,694,697	67,463,242	14,756,056	-	-	147,454,153	147,454,153	926,911,821	75,673,466	1,002,585,287	855,131,134	14.7%
2054	3.750%	500	83,500,831	2,461,238	70,837,111	15,124,958	-	-	154,826,861	154,826,861	973,257,593	77,564,810	1,050,822,403	895,995,542	14.7%
2055	3.750%	500	87,675,872	2,206,583	74,379,373	15,503,082	-	-	162,568,204	162,568,204	1,021,920,504	79,515,962	1,101,436,466	938,868,262	14.8%

[a] *Additional contributions in the amount of $405,070,701 are needed over the years 2026 through 2055 to pay all benefits due.*

Open Group Projections
Scenario 3 — Continuing Business Scenario
Projection Based on Data as of June 30, 2018
Assumed Net Investment Return and Discount Rates Graded Down from 6.25% to 3.75% in 0.278% Yearly Increments
Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2018
1,000 New Contracts Per Year Beginning in FY 2020

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds and Fees	Administrative Expenses	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
2018			$ 14,574,249	$ -	$ 148,689,847	$ 4,314,146	$ 46,821,937	$ 813,365,005	$ 32,922,430	$ 846,287,435	$ 1,114,971,113	$ 28,600,488	$ 1,143,571,601	$ 297,284,166	74.0%
2019	6.250%	0	10,483,115	-	150,251,752	4,422,000	46,397,643	715,572,011	24,174,334	739,746,345	1,029,780,846	25,829,925	1,055,610,772	315,864,427	70.1%
2020	5.972%	1,000	7,534,932	-	145,963,226	6,532,550	38,468,194	609,079,361	33,028,848	642,108,209	971,963,762	31,969,179	1,003,932,941	361,824,732	64.0%
2021	5.694%	1,000	24,180,574	-	146,432,647	6,695,864	31,060,653	511,192,077	41,858,149	553,050,226	909,306,379	33,805,914	943,112,293	390,062,067	58.6%
2022	5.416%	1,000	27,355,170	-	146,272,188	6,863,260	24,324,944	409,736,743	49,641,196	459,377,939	843,043,342	35,453,735	878,497,077	419,119,138	52.3%
2023	5.138%	1,000	30,148,181	-	136,472,910	7,034,842	18,176,543	314,553,715	56,744,972	371,298,687	783,303,938	36,946,130	820,250,067	448,951,380	45.3%
2024	4.860%	1,000	33,593,970	-	124,281,248	7,210,713	12,936,612	229,592,337	62,505,728	292,098,065	732,668,836	38,506,670	771,175,506	479,077,441	37.9%
2025	4.582%	1,000	37,331,110	-	117,984,185	7,390,981	8,525,423	150,073,704	68,390,307	218,464,011	686,284,626	39,964,262	726,248,888	507,784,877	30.1%
2026	4.304%	1,000	39,863,445	-	107,787,572	7,575,756	4,851,531	79,425,352	74,162,417	153,587,769	648,292,698	41,326,708	689,619,405	536,031,636	22.3%
2027	4.026%	1,000	42,562,834	-	97,167,594	7,765,149	1,954,547	19,009,990	79,620,943	98,630,933	619,391,246	42,423,431	661,814,677	563,183,744	14.9%
2028	3.750%	1,000	45,242,931	27,013,285	83,660,086	7,959,277	353,157	-	84,814,872	84,814,872	603,198,163	43,432,894	646,631,057	561,816,185	13.1%
2029	3.750%	1,000	48,034,193	36,049,811	75,925,744	8,158,260	-	-	89,952,616	89,952,616	596,215,922	44,144,429	640,360,351	550,407,735	14.0%
2030	3.750%	1,000	50,822,129	21,956,495	64,416,407	8,362,217	-	-	95,099,260	95,099,260	602,830,526	44,722,331	647,552,857	552,453,597	14.7%
2031	3.750%	1,000	53,594,311	12,047,210	57,070,250	8,571,271	-	-	100,362,727	100,362,727	619,651,557	45,260,232	664,911,789	564,549,062	15.1%
2032	3.750%	1,000	56,527,352	4,330,122	52,071,920	8,785,554	-	-	105,709,154	105,709,154	644,725,848	45,897,982	690,623,830	584,914,676	15.3%
2033	3.750%	1,000	59,575,018	-	49,897,599	9,005,193	12,488	684,715	111,147,839	111,832,554	675,583,645	46,567,122	722,150,768	610,318,214	15.5%
2034	3.750%	1,000	62,789,642	-	49,600,726	9,230,322	99,217	4,742,526	116,705,231	121,447,757	711,185,646	47,361,875	758,547,521	637,099,764	16.0%
2035	3.750%	1,000	66,088,228	-	50,681,551	9,461,080	288,299	10,976,422	122,540,493	133,516,915	750,178,608	48,247,415	798,426,023	664,909,108	16.7%
2036	3.750%	1,000	69,392,640	-	52,798,355	9,697,607	539,738	18,412,838	128,667,517	147,080,355	791,999,384	49,209,722	841,209,106	694,128,751	17.5%
2037	3.750%	1,000	72,862,272	-	55,327,871	9,940,047	831,565	26,838,757	135,100,893	161,939,650	836,445,796	50,428,506	886,874,302	724,934,652	18.3%
2038	3.750%	1,000	76,505,385	-	58,580,505	10,188,548	1,150,175	35,725,264	141,855,938	177,581,202	882,467,691	51,819,687	934,287,378	756,706,176	19.0%
2039	3.750%	1,000	80,330,654	-	62,884,539	10,443,262	1,469,792	44,197,909	148,948,735	193,146,644	929,840,603	53,281,752	983,122,355	789,975,711	19.6%
2040	3.750%	1,000	84,347,187	-	67,449,304	10,704,344	1,772,482	52,163,931	156,396,172	208,560,103	978,831,107	54,783,263	1,033,614,369	825,054,266	20.2%
2041	3.750%	1,000	88,564,547	-	72,097,317	10,971,952	2,058,236	59,717,445	164,215,980	223,933,425	1,029,574,011	56,309,373	1,085,883,384	861,949,959	20.6%
2042	3.750%	1,000	92,992,774	-	76,813,489	11,246,251	2,331,047	66,981,526	172,426,779	239,408,305	1,082,204,628	57,831,598	1,140,036,226	900,627,921	21.0%
2043	3.750%	1,000	97,642,413	-	81,466,253	11,527,408	2,598,169	74,228,447	181,048,118	255,276,565	1,137,056,090	59,344,046	1,196,400,136	941,123,571	21.3%
2044	3.750%	1,000	102,524,533	-	86,108,322	11,815,592	2,869,034	81,698,100	190,100,524	271,798,624	1,194,383,392	60,859,299	1,255,242,691	983,444,067	21.7%
2045	3.750%	1,000	107,650,760	-	90,754,787	12,110,982	3,152,572	89,635,663	199,605,550	289,241,213	1,254,399,552	62,383,057	1,316,782,610	1,027,541,397	22.0%
2046	3.750%	1,000	113,033,298	-	95,562,344	12,413,757	3,455,287	98,148,147	209,585,828	307,733,975	1,317,280,272	63,914,964	1,381,195,236	1,073,461,261	22.3%
2047	3.750%	1,000	118,684,963	-	100,468,314	12,724,101	3,782,593	107,423,288	220,065,119	327,488,407	1,383,267,910	65,472,640	1,448,740,550	1,121,252,143	22.6%
2048	3.750%	1,000	124,619,211	-	105,589,450	13,042,204	4,139,607	117,550,452	231,068,375	348,618,827	1,452,483,818	67,056,892	1,519,540,710	1,170,921,883	22.9%
2049	3.750%	1,000	130,850,171	-	110,949,136	13,368,259	4,529,504	128,612,732	242,621,794	371,234,526	1,525,128,007	68,678,535	1,593,806,542	1,222,572,016	23.3%
2050	3.750%	1,000	137,392,680	-	116,533,794	13,702,466	4,955,925	140,725,077	254,752,884	395,477,961	1,601,394,862	70,346,454	1,671,741,316	1,276,263,355	23.7%
2051	3.750%	1,000	144,262,314	-	122,372,683	14,045,027	5,422,923	153,992,604	267,490,528	421,483,132	1,681,469,656	72,066,686	1,753,536,342	1,332,053,210	24.0%
2052	3.750%	1,000	151,475,430	-	128,497,991	14,396,152	5,934,141	168,508,032	280,865,054	449,373,086	1,765,545,422	73,842,730	1,839,388,152	1,390,015,066	24.4%
2053	3.750%	1,000	159,049,201	-	134,926,289	14,756,056	6,493,063	184,367,951	294,908,307	479,276,258	1,853,823,642	75,675,256	1,929,498,898	1,450,222,640	24.8%
2054	3.750%	1,000	167,001,661	-	141,674,222	15,124,958	7,103,334	201,673,766	309,653,722	511,327,488	1,946,515,187	77,566,629	2,024,081,816	1,512,754,328	25.3%
2055	3.750%	1,000	175,351,744	-	148,758,745	15,503,082	7,768,788	220,532,471	325,136,408	545,668,879	2,043,841,007	79,517,649	2,123,358,656	1,577,689,777	25.7%

[a] *Additional contributions in the amount of $101,396,923 are needed over the years 2028 through 2032 to pay all benefits due.*

Open Group Projections
Scenario 4 — Continuing Business Scenario
Projection Based on Data as of June 30, 2018
6.25% Assumed Net Investment Return
Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2018
1,500 New Contracts Per Year Beginning in FY 2020

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions	Tuition Payments, Refunds and Fees	Administrative Expenses	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
2018			$ 14,574,249	$ -	$ 148,689,847	$ 4,314,146	$ 46,821,937	$ 813,365,005	$ 32,504,816	$ 845,869,821	$ 1,066,832,783	$ 27,587,658	$ 1,094,420,441	$ 248,550,620	77.3%
2019	6.250%	0	10,483,115	-	150,251,752	4,422,000	46,397,643	715,572,011	23,730,619	739,302,630	978,633,871	24,753,793	1,003,387,664	264,085,034	73.7%
2020	6.250%	1,500	7,534,932	-	145,963,226	6,532,550	40,261,877	610,873,044	39,403,574	650,276,618	927,467,470	30,424,342	957,891,812	307,615,194	67.9%
2021	6.250%	1,500	33,451,937	-	146,453,857	6,695,864	34,495,698	525,670,958	54,134,054	579,805,012	873,739,189	32,010,862	905,750,051	325,945,039	64.0%
2022	6.250%	1,500	38,699,028	-	146,562,885	6,863,260	29,323,546	440,267,387	66,858,911	507,126,298	818,467,233	33,415,155	851,882,388	344,756,090	59.5%
2023	6.250%	1,500	43,621,321	-	137,058,399	7,034,842	24,424,547	364,220,014	77,884,604	442,104,618	771,603,075	34,682,712	806,285,787	364,181,169	54.8%
2024	6.250%	1,500	49,264,782	-	125,174,440	7,210,713	20,205,605	301,305,249	86,468,849	387,774,098	735,362,412	35,994,899	771,357,311	383,583,213	50.3%
2025	6.250%	1,500	55,278,417	-	119,478,609	7,390,981	16,628,259	246,342,335	94,891,517	341,233,852	704,780,085	37,184,988	741,965,073	400,731,221	46.0%
2026	6.250%	1,500	59,303,447	-	109,970,139	7,575,756	13,603,903	201,703,790	103,029,089	304,732,879	683,785,719	38,268,064	722,053,783	417,320,904	42.2%
2027	6.250%	1,500	63,461,027	-	100,277,223	7,765,149	11,234,433	168,356,878	110,775,148	279,132,026	672,819,126	39,078,652	711,897,778	432,765,752	39.2%
2028	6.250%	1,500	67,601,518	-	88,088,139	7,959,277	9,646,842	149,557,822	118,295,689	267,853,511	675,429,058	39,909,178	715,338,235	447,484,724	37.4%
2029	6.250%	1,500	71,854,329	-	81,992,091	8,158,260	8,784,278	140,046,078	125,686,086	265,732,164	686,522,921	40,476,813	726,999,734	461,267,570	36.6%
2030	6.250%	1,500	76,089,718	-	72,374,596	8,362,217	8,609,859	144,008,842	133,045,449	277,054,291	710,512,114	40,933,414	751,445,528	474,391,237	36.9%
2031	6.250%	1,500	80,326,859	-	67,138,172	8,571,271	9,142,660	157,768,918	140,501,050	298,269,968	744,155,476	41,374,011	785,529,487	487,259,519	38.0%
2032	6.250%	1,500	84,763,489	-	64,363,763	8,785,554	10,218,000	179,601,090	148,035,596	327,636,686	785,552,865	41,936,483	827,489,348	499,852,662	39.6%
2033	6.250%	1,500	89,361,084	-	64,566,768	9,005,193	11,711,001	207,101,215	155,665,966	362,767,181	832,214,892	42,532,585	874,747,477	511,980,296	41.5%
2034	6.250%	1,500	94,184,463	-	66,822,698	9,230,322	13,501,847	238,734,505	163,449,264	402,183,769	883,295,324	43,255,390	926,550,713	524,366,944	43.4%
2035	6.250%	1,500	99,132,342	-	70,383,004	9,461,080	15,514,530	273,537,293	171,621,728	445,159,021	937,473,770	44,060,670	981,534,441	536,375,420	45.4%
2036	6.250%	1,500	104,088,959	-	75,045,684	9,697,607	17,691,471	310,574,432	180,202,814	490,777,246	994,300,668	44,931,672	1,039,232,340	548,455,094	47.2%
2037	6.250%	1,500	109,293,407	-	80,089,136	9,940,047	20,003,786	349,842,442	189,212,955	539,055,397	1,053,655,433	46,070,659	1,099,726,092	560,670,695	49.0%
2038	6.250%	1,500	114,758,078	-	85,853,555	10,188,548	22,441,163	390,999,580	198,673,602	589,673,182	1,114,260,346	47,387,155	1,161,647,501	571,974,319	50.8%
2039	6.250%	1,500	120,495,982	-	92,958,577	10,443,262	24,963,570	433,057,293	208,607,282	641,664,575	1,175,936,490	48,770,325	1,224,706,815	583,042,240	52.4%
2040	6.250%	1,500	126,520,781	-	100,320,555	10,704,344	27,542,988	476,096,164	219,037,647	695,133,811	1,239,142,894	50,186,092	1,289,328,986	594,195,175	53.9%
2041	6.250%	1,500	132,846,820	-	107,623,868	10,971,952	30,194,605	520,541,769	229,989,529	750,531,298	1,304,199,312	51,616,223	1,355,815,535	605,284,237	55.4%
2042	6.250%	1,500	139,489,161	-	114,878,529	11,246,251	32,945,168	566,851,318	241,489,005	808,340,323	1,371,401,037	53,029,216	1,424,430,253	616,089,930	56.7%
2043	6.250%	1,500	146,463,619	-	121,993,006	11,527,408	35,826,553	615,621,076	253,563,456	869,184,532	1,441,241,247	54,418,175	1,495,659,423	626,474,891	58.1%
2044	6.250%	1,500	153,786,800	-	129,036,632	11,815,592	38,874,397	667,430,049	266,241,628	933,671,677	1,514,112,133	55,797,530	1,569,909,663	636,237,986	59.5%
2045	6.250%	1,500	161,476,140	-	136,064,931	12,110,982	42,123,711	722,853,987	279,553,710	1,002,407,697	1,590,313,763	57,175,732	1,647,489,495	645,081,798	60.8%
2046	6.250%	1,500	169,549,947	-	143,298,759	12,413,757	45,604,241	782,295,659	293,531,395	1,075,827,054	1,670,106,097	58,556,361	1,728,662,457	652,835,403	62.2%
2047	6.250%	1,500	178,027,444	-	150,689,754	12,724,101	49,343,232	846,252,480	308,207,965	1,154,460,445	1,753,804,514	59,960,405	1,813,764,919	659,304,474	63.6%
2048	6.250%	1,500	186,928,816	-	158,377,418	13,042,204	53,368,097	915,129,771	323,618,363	1,238,748,134	1,841,578,140	61,390,335	1,902,968,475	664,220,341	65.1%
2049	6.250%	1,500	196,275,257	-	166,420,282	13,368,259	57,703,013	989,319,500	339,799,282	1,329,118,782	1,933,689,529	62,859,484	1,996,549,013	667,430,231	66.6%
2050	6.250%	1,500	206,089,020	-	174,799,097	13,702,466	62,373,747	1,069,280,704	356,789,246	1,426,069,950	2,030,390,829	64,376,854	2,094,767,683	668,697,733	68.1%
2051	6.250%	1,500	216,393,471	-	183,558,304	14,045,027	67,408,337	1,155,479,181	374,628,708	1,530,107,889	2,131,918,468	65,947,735	2,197,866,202	667,758,313	69.6%
2052	6.250%	1,500	227,213,145	-	192,746,691	14,396,152	72,835,141	1,248,384,624	393,360,143	1,641,744,767	2,238,518,030	67,574,310	2,306,092,340	664,347,573	71.2%
2053	6.250%	1,500	238,573,802	-	202,389,337	14,756,056	78,683,528	1,348,496,561	413,028,150	1,761,524,711	2,350,445,422	69,255,468	2,419,700,890	658,176,179	72.8%
2054	6.250%	1,500	250,502,492	-	212,511,332	15,124,958	84,984,775	1,456,347,538	433,679,558	1,890,027,096	2,467,968,229	70,993,331	2,538,961,560	648,934,464	74.4%
2055	6.250%	1,500	263,027,616	-	223,138,118	15,503,082	91,772,247	1,572,506,201	455,363,536	2,027,869,737	2,591,366,731	72,788,546	2,664,155,277	636,285,540	76.1%

Open Group Projections
Scenario 5 — Continuing Business Scenario
Projection Based on Data as of June 30, 2018
6.25% Assumed Net Investment Return
Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2018
2,500 New Contracts Per Year Beginning in FY 2020

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions	Tuition Payments, Refunds and Fees	Administrative Expenses	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
2018			$ 14,574,249	$ -	$ 148,689,847	$ 4,314,146	$ 46,821,937	$ 813,365,005	$ 32,504,816	$ 845,869,821	$ 1,066,832,783	$ 27,587,658	$ 1,094,420,441	$ 248,550,620	77.3%
2019	6.250%	0	10,483,115	-	150,251,752	4,422,000	46,397,643	715,572,011	23,730,619	739,302,630	978,633,871	24,753,793	1,003,387,664	264,085,034	73.7%
2020	6.250%	2,500	7,534,932	-	145,963,226	6,532,550	40,261,877	610,873,044	54,041,321	664,914,365	952,883,758	30,424,342	983,308,100	318,393,735	67.6%
2021	6.250%	2,500	51,994,662	-	146,496,279	6,695,864	35,065,070	544,740,633	81,739,406	626,480,039	926,877,722	32,010,862	958,888,584	332,408,545	65.3%
2022	6.250%	2,500	61,386,745	-	147,144,280	6,863,260	31,195,754	483,315,592	105,624,651	588,940,243	901,789,575	33,415,155	935,204,730	346,264,487	63.0%
2023	6.250%	2,500	70,567,602	-	138,229,376	7,034,842	27,908,331	436,527,307	125,838,172	562,365,479	887,764,850	34,682,712	922,447,562	360,082,083	61.0%
2024	6.250%	2,500	80,606,406	-	126,960,824	7,210,713	25,634,414	408,596,591	141,444,930	550,041,521	886,650,273	35,994,899	922,645,172	372,603,651	59.6%
2025	6.250%	2,500	91,173,029	-	122,467,456	7,390,981	24,346,689	394,257,872	156,302,984	550,560,856	893,518,106	37,184,988	930,703,094	380,142,238	59.2%
2026	6.250%	2,500	98,183,450	-	114,335,274	7,575,756	23,910,867	394,441,159	170,425,814	564,866,973	912,028,058	38,268,064	950,296,122	385,429,149	59.4%
2027	6.250%	2,500	105,257,414	-	106,496,480	7,765,149	24,375,455	409,812,399	183,782,019	593,594,418	942,022,743	39,078,652	981,101,395	387,506,977	60.5%
2028	6.250%	2,500	112,318,691	-	96,944,245	7,959,277	25,841,487	443,069,055	196,624,844	639,693,899	986,567,845	39,909,178	1,026,477,022	386,783,123	62.3%
2029	6.250%	2,500	119,494,599	-	94,124,785	8,158,260	28,221,526	488,502,135	209,179,455	697,681,590	1,040,198,493	40,476,813	1,080,675,306	382,993,716	64.6%
2030	6.250%	2,500	126,624,898	-	88,290,975	8,362,217	31,453,805	549,927,646	221,623,662	771,551,308	1,107,008,539	40,933,414	1,147,941,953	376,390,645	67.2%
2031	6.250%	2,500	133,791,954	-	87,274,014	8,571,271	35,538,340	623,412,655	234,131,037	857,543,692	1,183,637,909	41,374,011	1,225,011,920	367,468,228	70.0%
2032	6.250%	2,500	141,235,762	-	88,947,450	8,785,554	40,302,149	707,217,562	246,724,126	953,941,688	1,267,984,214	41,936,483	1,309,920,697	355,979,009	72.8%
2033	6.250%	2,500	148,933,216	-	93,905,105	9,005,193	45,617,518	798,857,999	259,443,277	1,058,301,276	1,357,302,850	42,532,585	1,399,835,435	341,534,159	75.6%
2034	6.250%	2,500	156,974,105	-	101,266,642	9,230,322	51,359,024	896,694,164	272,415,441	1,169,109,605	1,450,994,781	43,255,390	1,494,250,170	325,140,565	78.2%
2035	6.250%	2,500	165,220,571	-	109,785,909	9,461,080	57,458,287	1,000,126,033	286,036,213	1,286,162,246	1,547,719,944	44,060,670	1,591,780,615	305,618,369	80.8%
2036	6.250%	2,500	173,481,599	-	119,540,340	9,697,607	63,869,538	1,108,239,223	300,338,023	1,408,577,246	1,647,216,591	44,931,672	1,692,148,263	283,571,017	83.2%
2037	6.250%	2,500	182,155,679	-	129,611,667	9,940,047	70,576,148	1,221,419,336	315,354,924	1,536,774,260	1,749,508,587	46,070,659	1,795,579,246	258,804,986	85.6%
2038	6.250%	2,500	191,263,463	-	140,399,656	10,188,548	77,590,547	1,339,685,142	331,122,671	1,670,807,813	1,852,877,667	47,387,155	1,900,264,822	229,457,009	87.9%
2039	6.250%	2,500	200,826,636	-	153,106,652	10,443,262	84,877,565	1,461,839,429	347,678,804	1,809,518,233	1,957,287,764	48,770,325	2,006,058,089	196,539,856	90.2%
2040	6.250%	2,500	210,867,968	-	166,063,056	10,704,344	92,414,457	1,588,354,455	365,062,744	1,953,417,199	2,063,641,759	50,186,092	2,113,827,851	160,410,652	92.4%
2041	6.250%	2,500	221,411,366	-	178,676,971	10,971,952	100,249,687	1,720,366,585	383,315,882	2,103,682,467	2,172,686,915	51,616,223	2,224,303,138	120,620,671	94.6%
2042	6.250%	2,500	232,481,935	-	191,008,609	11,246,251	108,453,192	1,859,046,852	402,481,676	2,261,528,528	2,285,098,254	53,029,216	2,338,127,470	76,598,942	96.7%
2043	6.250%	2,500	244,106,031	-	203,046,512	11,527,408	117,099,321	2,005,678,284	422,605,759	2,428,284,043	2,401,746,605	54,418,175	2,456,164,781	27,880,738	98.9%
2044	6.250%	2,500	256,311,333	-	214,893,250	11,815,592	126,265,951	2,161,546,726	443,736,047	2,605,282,773	2,523,350,914	55,797,530	2,579,148,444	(26,134,329)	101.0%
2045	6.250%	2,500	269,126,900	-	226,685,218	12,110,982	136,030,140	2,327,907,566	465,922,850	2,793,830,416	2,650,435,474	57,175,732	2,707,611,206	(86,219,210)	103.2%
2046	6.250%	2,500	282,583,245	-	238,771,588	12,413,757	146,460,537	2,505,766,003	489,218,992	2,994,984,995	2,783,478,745	58,556,361	2,842,035,105	(152,949,890)	105.4%
2047	6.250%	2,500	296,712,407	-	251,132,633	12,724,101	157,621,555	2,696,243,231	513,679,942	3,209,923,173	2,922,991,622	59,960,405	2,982,952,027	(226,971,146)	107.6%
2048	6.250%	2,500	311,548,027	-	263,953,354	13,042,204	169,578,603	2,900,374,303	539,363,939	3,439,738,242	3,069,289,292	61,390,335	3,130,679,627	(309,058,615)	109.9%
2049	6.250%	2,500	327,125,429	-	277,362,573	13,368,259	182,393,489	3,119,162,389	566,332,136	3,685,494,525	3,222,812,501	62,859,484	3,285,671,985	(399,822,540)	112.2%
2050	6.250%	2,500	343,481,700	-	291,329,704	13,702,466	196,130,988	3,353,742,907	594,648,743	3,948,391,650	3,383,983,314	64,376,854	3,448,360,168	(500,031,482)	114.5%
2051	6.250%	2,500	360,655,785	-	305,929,546	14,045,027	210,860,953	3,605,285,072	624,381,180	4,229,666,252	3,553,196,947	65,947,735	3,619,144,681	(610,521,571)	116.9%
2052	6.250%	2,500	378,688,574	-	321,244,092	14,396,152	226,655,190	3,874,988,592	655,600,239	4,530,588,831	3,730,863,259	67,574,310	3,798,437,569	(732,151,262)	119.3%
2053	6.250%	2,500	397,623,003	-	337,315,432	14,756,056	243,588,699	4,164,128,806	688,380,251	4,852,509,057	3,917,409,036	69,255,468	3,986,664,504	(865,844,553)	121.7%
2054	6.250%	2,500	417,504,153	-	354,185,554	15,124,958	261,741,277	4,474,063,724	722,799,263	5,196,862,987	4,113,280,382	70,993,331	4,184,273,713	(1,012,589,274)	124.2%
2055	6.250%	2,500	438,379,361	-	371,896,863	15,503,082	281,197,946	4,806,241,086	758,939,226	5,565,180,312	4,318,944,552	72,788,546	4,391,733,098	(1,173,447,214)	126.7%

Open Group Projections
Scenario 6 — Continuing Business Scenario
Projection Based on Data as of June 30, 2018
6.25% Assumed Net Investment Return
Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2018
5% Annual Sales Growth from 500 Contracts Sold in FY 2020 to 2,500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds and Fees	Administrative Expenses	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
2018			$ 14,574,249	$ -	$ 148,689,847	$ 4,314,146	$ 46,821,937	$ 813,365,005	$ 32,504,816	$ 845,869,821	$ 1,066,832,783	$ 27,587,658	$ 1,094,420,441	$ 248,550,620	77.3%
2019	6.250%	0	10,483,115	-	150,251,752	4,422,000	46,397,643	715,572,011	23,730,619	739,302,630	978,633,871	24,753,793	1,003,387,664	264,085,034	73.7%
2020	6.250%	500	7,534,932	-	145,963,226	6,532,550	40,261,877	610,873,044	24,765,827	635,638,871	902,051,183	30,424,342	932,475,525	296,836,654	68.2%
2021	6.250%	525	14,909,212	-	146,411,436	6,695,864	33,926,325	506,601,281	26,912,943	533,514,224	821,267,833	32,010,862	853,278,695	319,764,471	62.5%
2022	6.250%	551	16,498,058	-	145,982,604	6,863,260	27,466,285	397,719,760	29,241,438	426,961,198	737,275,340	33,415,155	770,690,495	343,729,297	55.4%
2023	6.250%	579	17,807,231	-	135,903,911	7,034,842	21,006,386	293,594,624	32,214,601	325,809,225	659,977,331	34,682,712	694,660,043	368,850,818	46.9%
2024	6.250%	608	19,878,738	-	123,436,974	7,210,713	14,940,594	197,766,270	35,269,179	233,035,449	592,124,774	35,994,899	628,119,673	395,084,224	37.1%
2025	6.250%	638	22,362,549	-	116,590,586	7,390,981	9,232,924	105,380,176	39,086,664	144,466,840	528,888,740	37,184,988	566,073,728	421,606,888	25.5%
2026	6.250%	670	24,649,743	-	105,794,620	7,575,756	3,855,759	20,515,302	43,425,708	63,941,010	474,661,214	38,268,064	512,929,278	448,988,268	12.5%
2027	6.250%	704	27,344,736	53,655,325	94,381,602	7,765,149	631,387	-	48,129,602	48,129,602	430,684,281	39,078,652	469,762,933	421,633,331	10.2%
2028	6.250%	739	30,243,804	57,467,571	79,752,098	7,959,277	-	-	53,306,325	53,306,325	401,200,189	39,909,178	441,109,366	387,803,041	12.1%
2029	6.250%	776	33,501,689	45,321,812	70,665,241	8,158,260	-	-	58,955,977	58,955,977	381,707,925	40,476,813	422,184,738	363,228,761	14.0%
2030	6.250%	814	37,044,709	28,982,652	57,665,144	8,362,217	-	-	65,140,431	65,140,431	377,168,458	40,933,414	418,101,872	352,961,441	15.6%
2031	6.250%	855	40,856,224	16,465,817	48,750,770	8,571,271	-	-	71,988,440	71,988,440	384,707,003	41,374,011	426,081,014	354,092,574	16.9%
2032	6.250%	898	45,123,567	5,898,286	42,236,299	8,785,554	-	-	79,496,760	79,496,760	402,895,372	41,936,483	444,831,855	365,335,095	17.9%
2033	6.250%	943	49,829,017	-	38,581,737	9,005,193	69,003	2,311,091	87,719,268	90,030,359	429,791,433	42,532,585	472,324,018	382,293,659	19.1%
2034	6.250%	990	55,052,761	-	36,845,906	9,230,322	420,709	11,708,333	96,710,493	108,418,826	464,617,034	43,255,390	507,872,423	399,453,597	21.3%
2035	6.250%	1,039	60,775,221	-	36,809,287	9,461,080	1,178,178	27,391,365	106,623,318	134,014,683	506,425,545	44,060,670	550,486,216	416,471,533	24.3%
2036	6.250%	1,091	67,004,681	-	38,012,034	9,697,607	2,305,792	48,992,197	117,552,208	166,544,405	554,969,446	44,931,672	599,901,118	433,356,713	27.8%
2037	6.250%	1,146	73,872,661	-	39,960,350	9,940,047	3,799,792	76,764,253	129,601,309	206,365,562	610,418,454	46,070,659	656,489,113	450,123,551	31.4%
2038	6.250%	1,203	81,444,609	-	42,964,024	10,188,548	5,668,493	110,724,783	142,885,444	253,610,227	672,418,503	47,387,155	719,805,658	466,195,431	35.2%
2039	6.250%	1,263	89,792,682	-	47,093,705	10,443,262	7,913,014	150,893,512	157,531,202	308,424,714	741,168,886	48,770,325	789,939,211	481,514,497	39.0%
2040	6.250%	1,327	98,996,431	-	51,904,173	10,704,344	10,550,734	197,832,161	173,678,150	371,510,311	817,262,995	50,186,092	867,449,087	495,938,776	42.8%
2041	6.250%	1,393	109,143,566	-	57,398,552	10,971,952	13,619,358	252,224,581	191,480,160	443,704,741	901,242,215	51,616,223	952,858,438	509,153,697	46.6%
2042	6.250%	1,463	120,330,781	-	63,576,228	11,246,251	17,164,618	314,897,501	211,106,877	526,004,378	993,749,000	53,029,216	1,046,778,216	520,773,838	50.2%
2043	6.250%	1,536	132,664,686	-	70,310,541	11,527,408	21,245,358	386,969,596	232,745,331	619,714,927	1,095,710,254	54,418,175	1,150,128,430	530,413,503	53.9%
2044	6.250%	1,613	146,262,816	-	77,689,240	11,815,592	25,932,407	469,659,987	256,601,728	726,261,715	1,208,095,855	55,797,530	1,263,893,385	537,631,670	57.5%
2045	6.250%	1,693	161,254,755	-	85,744,803	12,110,982	31,304,942	564,363,899	282,903,405	847,267,304	1,331,987,378	57,175,732	1,389,163,110	541,895,806	61.0%
2046	6.250%	1,778	177,783,368	-	94,635,638	12,413,757	37,449,681	672,547,553	311,901,004	984,448,557	1,468,540,992	58,556,361	1,527,097,352	542,648,795	64.5%
2047	6.250%	1,867	196,006,163	-	104,360,739	12,724,101	44,463,137	795,932,013	343,870,857	1,139,802,870	1,619,111,254	59,960,405	1,679,071,659	539,268,789	67.9%
2048	6.250%	1,960	216,096,794	-	115,098,644	13,042,204	52,452,719	936,340,678	379,117,620	1,315,458,298	1,785,087,618	61,390,335	1,846,477,953	531,019,655	71.2%
2049	6.250%	2,058	238,246,716	-	126,931,980	13,368,259	61,535,733	1,095,822,888	417,977,176	1,513,800,064	1,968,064,718	62,859,484	2,030,924,202	517,124,138	74.5%
2050	6.250%	2,161	262,667,004	-	139,958,748	13,702,466	71,843,737	1,276,672,415	460,819,836	1,737,492,251	2,169,794,546	64,376,854	2,234,171,400	496,679,149	77.8%
2051	6.250%	2,269	289,590,372	-	154,309,499	14,045,027	83,523,230	1,481,431,491	508,053,870	1,989,485,361	2,392,200,104	65,947,735	2,458,147,838	468,662,477	80.9%
2052	6.250%	2,382	319,273,385	-	170,129,023	14,396,152	96,736,534	1,712,916,235	560,129,391	2,273,045,626	2,637,401,388	67,574,310	2,704,975,698	431,930,072	84.0%
2053	6.250%	2,500	351,998,907	-	187,568,704	14,756,056	111,663,697	1,974,254,079	617,425,897	2,591,679,976	2,907,532,654	69,255,468	2,976,788,122	385,108,146	87.1%
2054	6.250%	2,500	387,930,890	-	206,794,855	15,124,958	128,500,104	2,268,765,260	671,002,306	2,939,767,566	3,188,653,867	70,993,331	3,259,647,198	319,879,632	90.2%
2055	6.250%	2,500	415,491,716	-	227,959,594	15,503,082	147,092,264	2,587,886,564	721,574,467	3,309,461,031	3,480,376,951	72,788,546	3,553,165,497	243,704,466	93.1%

[a] *Additional contributions in the amount of $207,791,463 are needed over the years 2027 through 2032 to pay all benefits due.*

Open Group Projections
Scenario 7— Continuing Business Scenario
Projection Based on Data as of June 30, 2018
6.25% Assumed Net Investment Return
Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2018
10% Annual Sales Growth from 500 Contracts Sold in FY 2020 to 2,500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds and Fees	Administrative Expenses	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
2018			$ 14,574,249	$ -	$ 148,689,847	$ 4,314,146	$ 46,821,937	$ 813,365,005	$ 32,504,816	$ 845,869,821	$ 1,066,832,783	$ 27,587,658	$ 1,094,420,441	$ 248,550,620	77.3%
2019	6.250%	0	10,483,115	-	150,251,752	4,422,000	46,397,643	715,572,011	23,730,619	739,302,630	978,633,871	24,753,793	1,003,387,664	264,085,034	73.7%
2020	6.250%	500	7,534,932	-	145,963,226	6,532,550	40,261,877	610,873,044	24,765,827	635,638,871	902,051,183	30,424,342	932,475,525	296,836,654	68.2%
2021	6.250%	550	14,909,212	-	146,411,436	6,695,864	33,926,325	506,601,281	27,297,184	533,898,465	821,935,011	32,010,862	853,945,873	320,047,408	62.5%
2022	6.250%	605	16,984,804	-	145,983,717	6,863,260	27,481,231	398,220,339	30,430,049	428,650,388	739,475,843	33,415,155	772,890,998	344,240,610	55.5%
2023	6.250%	666	18,990,530	-	135,920,517	7,034,842	21,073,579	295,329,089	34,665,332	329,994,421	664,817,973	34,682,712	699,500,685	369,506,264	47.2%
2024	6.250%	732	22,012,228	-	123,487,758	7,210,713	15,113,096	201,755,943	39,478,441	241,234,384	601,003,103	35,994,899	636,998,002	395,763,618	37.9%
2025	6.250%	805	25,752,116	-	116,698,702	7,390,981	9,583,270	113,001,646	45,589,746	158,591,392	543,537,153	37,184,988	580,722,141	422,130,749	27.3%
2026	6.250%	886	29,663,310	-	106,003,245	7,575,756	4,479,979	33,565,934	52,843,166	86,409,100	497,208,955	38,268,064	535,477,019	449,067,919	16.1%
2027	6.250%	974	34,377,887	33,535,392	94,747,103	7,765,149	1,033,039	-	61,185,080	61,185,080	463,721,969	39,078,652	502,800,621	441,615,541	12.2%
2028	6.250%	1,072	39,762,454	48,551,321	80,354,498	7,959,277	-	-	70,845,802	70,845,802	447,846,424	39,909,178	487,755,601	416,909,799	14.5%
2029	6.250%	1,179	46,055,927	33,723,123	71,620,790	8,158,260	-	-	81,970,552	81,970,552	445,689,491	40,476,813	486,166,304	404,195,752	16.9%
2030	6.250%	1,297	53,283,011	14,208,799	59,129,593	8,362,217	-	-	94,794,037	94,794,037	462,916,331	40,933,414	503,849,745	409,055,708	18.8%
2031	6.250%	1,427	61,541,245	-	50,923,377	8,571,271	62,987	2,109,584	109,648,876	111,758,460	497,469,347	41,374,011	538,843,358	427,084,898	20.7%
2032	6.250%	1,569	71,152,935	-	45,366,019	8,785,554	655,090	19,766,036	126,771,013	146,537,049	548,874,077	41,936,483	590,810,560	444,273,511	24.8%
2033	6.250%	1,726	82,259,033	-	42,970,838	9,005,193	2,167,379	52,216,418	146,494,463	198,710,881	616,298,787	42,532,585	658,831,372	460,120,491	30.2%
2034	6.250%	1,899	95,125,301	-	42,861,497	9,230,322	4,587,942	99,837,842	169,201,105	269,038,947	700,256,474	43,255,390	743,511,863	474,472,916	36.2%
2035	6.250%	2,089	109,949,275	-	44,895,973	9,461,080	7,950,794	163,380,858	195,427,277	358,808,135	801,314,820	44,060,670	845,375,491	486,567,356	42.4%
2036	6.250%	2,297	126,991,412	-	48,692,515	9,697,607	12,322,605	244,304,753	225,718,504	470,023,257	920,993,413	44,931,672	965,925,085	495,901,828	48.7%
2037	6.250%	2,500	146,675,081	-	53,855,994	9,940,047	17,819,766	345,003,559	259,791,134	604,794,693	1,059,941,803	46,070,659	1,106,012,462	501,217,769	54.7%
2038	6.250%	2,500	168,252,218	-	60,803,983	10,188,548	24,556,026	466,819,272	290,488,093	757,307,365	1,206,203,444	47,387,155	1,253,590,599	496,283,234	60.4%
2039	6.250%	2,500	182,974,123	-	69,683,627	10,443,262	32,341,473	602,007,979	318,294,346	920,302,325	1,358,970,533	48,770,325	1,407,740,858	487,438,533	65.4%
2040	6.250%	2,500	197,489,916	-	79,939,499	10,704,344	40,913,837	749,767,890	343,853,835	1,093,621,725	1,517,608,836	50,186,092	1,567,794,928	474,173,203	69.8%
2041	6.250%	2,500	211,698,225	-	91,675,431	10,971,952	50,216,686	909,035,418	368,010,986	1,277,046,404	1,681,202,831	51,616,223	1,732,819,054	455,772,650	73.7%
2042	6.250%	2,500	225,468,220	-	104,980,353	11,246,251	60,176,778	1,078,453,812	391,745,937	1,470,199,749	1,848,953,022	53,029,216	1,901,982,238	431,782,489	77.3%
2043	6.250%	2,500	238,745,303	-	119,559,340	11,527,408	70,716,707	1,256,829,074	415,336,108	1,672,165,182	2,020,165,774	54,418,175	2,074,583,950	402,418,768	80.6%
2044	6.250%	2,500	252,297,785	-	135,512,817	11,815,592	81,782,397	1,443,580,847	439,023,793	1,882,604,640	2,194,173,738	55,797,530	2,249,971,268	367,366,628	83.7%
2045	6.250%	2,500	266,205,072	-	152,709,468	12,110,982	93,344,057	1,638,309,526	463,043,178	2,101,352,704	2,370,573,875	57,175,732	2,427,749,607	326,396,903	86.6%
2046	6.250%	2,500	280,519,656	-	170,969,154	12,413,757	105,383,865	1,840,830,136	487,609,868	2,328,440,004	2,549,148,523	58,556,361	2,607,704,883	279,264,879	89.3%
2047	6.250%	2,500	295,305,189	-	189,991,606	12,724,101	117,901,455	2,051,321,073	512,898,394	2,564,219,467	2,729,949,129	59,960,405	2,789,909,534	225,690,067	91.9%
2048	6.250%	2,500	310,647,593	-	209,690,016	13,042,204	130,913,286	2,270,149,732	539,065,256	2,809,214,988	2,913,107,670	61,390,335	2,974,498,005	165,283,017	94.4%
2049	6.250%	2,500	326,609,593	-	229,897,356	13,368,259	144,449,386	2,497,943,096	566,263,902	3,064,206,998	3,098,918,341	62,859,484	3,161,777,825	97,570,827	96.9%
2050	6.250%	2,500	343,240,021	-	250,536,362	13,702,466	158,552,816	2,735,497,105	594,648,743	3,330,145,848	3,287,839,450	64,376,854	3,352,216,304	22,070,456	99.3%
2051	6.250%	2,500	360,585,451	-	271,495,619	14,045,027	173,278,178	2,983,820,088	624,381,180	3,608,201,268	3,480,513,310	65,947,735	3,546,461,044	(61,740,224)	101.7%
2052	6.250%	2,500	378,688,574	-	292,654,750	14,396,152	188,693,506	3,244,151,266	655,600,239	3,899,751,505	3,677,550,475	67,574,310	3,745,124,785	(154,626,720)	104.1%
2053	6.250%	2,500	397,623,003	-	314,115,852	14,756,056	204,875,366	3,517,777,727	688,380,251	4,206,157,978	3,879,654,690	69,255,468	3,948,910,158	(257,247,820)	106.5%
2054	6.250%	2,500	417,504,153	-	335,859,090	15,124,958	221,908,358	3,806,206,190	722,799,263	4,529,005,453	4,087,528,914	70,993,331	4,158,522,245	(370,483,208)	108.9%
2055	6.250%	2,500	438,379,361	-	357,963,166	15,503,082	239,885,679	4,111,004,982	758,939,226	4,869,944,208	4,301,934,921	72,788,546	4,374,723,467	(495,220,741)	111.3%

[a] *Additional contributions in the amount of $130,018,635 are needed over the years 2027 through 2030 to pay all benefits due.*

Open Group Projections
Scenario 8 — Continuing Business Scenario
Projection Based on Data as of June 30, 2018
6.25% Assumed Net Investment Return
Other Assumptions Based on Those Used in the Actuarial Valuation as of June 30, 2018
15% Annual Sales Growth from 500 Contracts Sold in FY 2020 to 2,500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[a]	Tuition Payments, Refunds and Fees	Administrative Expenses	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
2018			$ 14,574,249	$ -	$ 148,689,847	$ 4,314,146	$ 46,821,937	$ 813,365,005	$ 32,504,816	$ 845,869,821	$ 1,066,832,783	$ 27,587,658	$ 1,094,420,441	$ 248,550,620	77.3%
2019	6.250%	0	10,483,115	-	150,251,752	4,422,000	46,397,643	715,572,011	23,730,619	739,302,630	978,633,871	24,753,793	1,003,387,664	264,085,034	73.7%
2020	6.250%	500	7,534,932	-	145,963,226	6,532,550	40,261,877	610,873,044	24,765,827	635,638,871	902,051,183	30,424,342	932,475,525	296,836,654	68.2%
2021	6.250%	575	14,909,212	-	146,411,436	6,695,864	33,926,325	506,601,281	27,681,425	534,282,706	822,602,188	32,010,862	854,613,050	320,330,344	62.5%
2022	6.250%	661	17,471,551	-	145,984,831	6,863,260	27,496,177	398,720,918	31,659,006	430,379,924	741,746,400	33,415,155	775,161,555	344,781,631	55.5%
2023	6.250%	760	20,224,937	-	135,937,240	7,034,842	21,142,341	297,116,114	37,289,583	334,405,697	669,974,257	34,682,712	704,656,969	370,251,272	47.5%
2024	6.250%	875	24,331,678	-	123,540,427	7,210,713	15,294,549	205,991,202	44,154,557	250,145,759	610,770,838	35,994,899	646,765,737	396,619,978	38.7%
2025	6.250%	1,006	29,590,245	-	116,814,427	7,390,981	9,962,535	121,338,574	53,098,525	174,437,099	560,191,749	37,184,988	597,376,737	422,939,638	29.2%
2026	6.250%	1,157	35,574,422	-	106,232,409	7,575,756	5,175,907	48,280,738	64,157,827	112,438,565	523,717,244	38,268,064	561,985,308	449,546,743	20.0%
2027	6.250%	1,330	43,021,247	10,136,567	95,159,311	7,765,149	1,485,908	-	77,520,265	77,520,265	503,909,533	39,078,652	542,988,185	465,467,920	14.3%
2028	6.250%	1,530	51,963,912	37,047,040	81,051,675	7,959,277	-	-	93,716,351	93,716,351	506,595,091	39,909,178	546,504,268	452,787,917	17.1%
2029	6.250%	1,759	62,849,114	18,063,179	72,754,033	8,158,260	-	-	113,264,041	113,264,041	529,182,598	40,476,813	569,659,411	456,395,370	19.9%
2030	6.250%	2,023	75,958,040	-	60,908,940	8,362,217	205,798	6,892,681	136,860,962	143,753,643	578,942,453	40,933,414	619,875,867	476,122,224	23.2%
2031	6.250%	2,326	91,703,636	-	53,629,991	8,571,271	1,338,770	37,733,825	165,412,024	203,145,849	655,796,205	41,374,011	697,170,216	494,024,367	29.1%
2032	6.250%	2,500	110,798,153	-	49,368,676	8,785,554	3,978,555	94,356,303	195,255,073	289,611,376	753,718,569	41,936,483	795,655,052	506,043,676	36.4%
2033	6.250%	2,500	128,031,594	-	48,729,288	9,005,193	8,060,761	172,714,178	221,645,550	394,359,728	862,923,059	42,532,585	905,455,644	511,095,916	43.6%
2034	6.250%	2,500	140,590,201	-	50,792,597	9,230,322	13,274,208	266,555,668	245,040,906	511,596,574	981,837,938	43,255,390	1,025,093,327	513,496,753	49.9%
2035	6.250%	2,500	152,816,765	-	55,339,877	9,461,080	19,368,540	373,940,016	266,194,949	640,134,965	1,108,484,724	44,060,670	1,152,545,395	512,410,430	55.5%
2036	6.250%	2,500	164,513,428	-	62,065,289	9,697,607	26,225,779	492,916,327	286,067,041	778,983,368	1,241,448,988	44,931,672	1,286,380,660	507,397,292	60.6%
2037	6.250%	2,500	175,548,658	-	70,510,762	9,940,047	33,734,040	621,748,216	305,391,924	927,140,140	1,379,669,489	46,070,659	1,425,740,148	498,600,008	65.0%
2038	6.250%	2,500	186,218,801	-	80,940,612	10,188,548	41,785,781	758,623,638	324,418,902	1,083,042,540	1,521,429,799	47,387,155	1,568,816,954	485,774,414	69.0%
2039	6.250%	2,500	197,060,622	-	93,436,899	10,443,262	50,281,737	902,085,836	343,373,781	1,245,459,617	1,665,601,301	48,770,325	1,714,371,626	468,912,009	72.6%
2040	6.250%	2,500	208,134,367	-	107,391,848	10,704,344	59,151,416	1,051,275,428	362,473,513	1,413,748,941	1,811,613,157	50,186,092	1,861,799,249	448,050,308	75.9%
2041	6.250%	2,500	219,485,774	-	122,517,105	10,971,952	68,351,384	1,205,623,529	381,906,359	1,587,529,888	1,958,984,101	51,616,223	2,010,600,324	423,070,436	79.0%
2042	6.250%	2,500	231,180,454	-	138,545,654	11,246,251	77,856,318	1,364,868,396	401,825,979	1,766,694,375	2,107,452,520	53,029,216	2,160,481,736	393,787,361	81.8%
2043	6.250%	2,500	243,289,248	-	155,108,370	11,527,408	87,663,393	1,529,185,259	422,373,692	1,951,558,951	2,257,106,992	54,418,175	2,311,525,168	359,966,217	84.4%
2044	6.250%	2,500	255,860,594	-	172,101,253	11,815,592	97,788,249	1,698,917,257	443,690,164	2,142,607,421	2,408,118,568	55,797,530	2,463,916,098	321,308,677	87.0%
2045	6.250%	2,500	268,932,204	-	189,385,915	12,110,982	108,257,745	1,874,610,309	465,922,850	2,340,533,159	2,560,872,845	57,175,732	2,618,048,577	277,515,418	89.4%
2046	6.250%	2,500	282,535,949	-	206,881,317	12,413,757	119,109,471	2,056,960,655	489,218,992	2,546,179,647	2,715,821,422	58,556,361	2,774,377,782	228,198,135	91.8%
2047	6.250%	2,500	296,712,407	-	224,450,832	12,724,101	130,392,390	2,246,890,519	513,679,942	2,760,570,461	2,873,509,621	59,960,405	2,933,470,026	172,899,565	94.1%
2048	6.250%	2,500	311,548,027	-	242,218,373	13,042,204	142,162,983	2,445,340,952	539,363,939	2,984,704,891	3,034,438,001	61,390,335	3,095,828,336	111,123,445	96.4%
2049	6.250%	2,500	327,125,429	-	260,168,414	13,368,259	154,483,079	2,653,412,787	566,332,136	3,219,744,923	3,199,162,775	62,859,484	3,262,022,259	42,277,336	98.7%
2050	6.250%	2,500	343,481,700	-	278,349,418	13,702,466	167,421,124	2,872,263,727	594,648,743	3,466,912,470	3,368,434,089	64,376,854	3,432,810,943	(34,101,527)	101.0%
2051	6.250%	2,500	360,655,785	-	296,636,932	14,045,027	181,054,498	3,103,292,051	624,381,180	3,727,673,231	3,543,270,572	65,947,735	3,609,218,306	(118,454,925)	103.3%
2052	6.250%	2,500	378,688,574	-	314,846,315	14,396,152	195,477,527	3,348,215,685	655,600,239	4,003,815,924	3,724,708,860	67,574,310	3,792,283,170	(211,532,754)	105.6%
2053	6.250%	2,500	397,623,003	-	333,054,203	14,756,056	210,796,538	3,608,824,967	688,380,251	4,297,205,218	3,913,698,730	69,255,468	3,982,954,198	(314,251,020)	107.9%
2054	6.250%	2,500	417,504,153	-	351,441,270	15,124,958	227,119,247	3,886,882,139	722,799,263	4,609,681,402	4,111,106,352	70,993,331	4,182,099,683	(427,581,719)	110.2%
2055	6.250%	2,500	438,379,361	-	370,181,486	15,503,082	244,551,890	4,184,128,822	758,939,226	4,943,068,048	4,317,715,539	72,788,546	4,390,504,085	(552,563,963)	112.6%

[a] *Additional contributions in the amount of $65,246,786 are needed over the years 2027 through 2029 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 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 valuation as of June 30, 2015.

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

Measurement Date

June 30, 2018

Net Investment Return Rate

Select and ultimate rate structure beginning with 6.25 percent for fiscal year 2019 and grading down in increments of 0.357 percent to an ultimate investment return rate of 3.75 percent for fiscal years on and after fiscal year 2026, compounded annually. Includes inflation assumption of 2.50 percent. (First effective with the actuarial soundness valuation as of June 30, 2018, and provided by ISAC.)

Considering the current asset allocation, liquidity requirements and deferment of the next enrollment period, we believe the net investment rate of return assumption of 6.25 percent in fiscal year 2019 grading down to 3.75 percent in 2026, on a select and ultimate basis, is consistent with applicable Actuarial Standards of Practice.

For the open group scenarios in which new contracts are assumed to be sold, a net investment rate of return assumption of 6.25 percent was used for scenarios in which (1) there was no depletion date, or (2) there was a depletion date, but the funded status increased significantly after the depletion date. A select and ultimate rate was used for scenarios in which there was a depletion date and the funded status remained low for the duration of the projection period.

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†
2018-2019 Weighted Tuition	$3,942	$10,925	$13,885	$11,687
2018-2019 Weighted Fees	502	3,904	3,968	3,921
2018-2019 Total WATF	4,444	14,829	17,853	15,608

†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
2018-2019 Total WATF	$4,444	$14,829	$17,853	$15,608
2017-2018 Total WATF	4,356	14,404	17,716	15,281
WATF Increase	2.02%	2.95%	0.77%	2.14%

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 2018-2019 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, 2018, Actuarial Valuation				
Effective Date	Community College	University	University Plus	Legacy
6/30/2018 and Beyond	5.00%	5.00%	5.00%	5.00%

(First effective with the actuarial soundness valuation as of June 30, 2016, and provided 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
2018-2019 Weighted Tuition	$3,942	$10,925	$13,885	$11,687
2017-2018 Weighted Tuition	3,862	10,675	13,884	11,525
2016-2017 Weighted Tuition	3,698	10,410	14,136	11,318
2015-2016 Weighted Tuition	3,549	10,082	14,136	11,022
2014-2015 Weighted Tuition	3,331	9,903	14,145	10,871

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 and those who have matriculated, but have not used credits within the past year. 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 and those who have matriculated, but have not used credits within the past year.

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 have not yet matriculated and those who have matriculated, but have not used 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 Since Matriculation	Number of Semesters Purchased								
	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 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 percent for two years and then decline at the same rate the present value of benefits declines (combined with a 2.50 percent increase for inflation). The present value of future administrative expenses was determined to be equal to approximately 2.5 percent of the total liabilities.

First effective with the actuarial soundness valuation as of June 30, 2017 the calculation of the total administrative expenses related to marketing was changed from an assumption of 12 percent of total administrative expenses to incorporate actual marketing expenses in the prior fiscal year, as provided by ISAC. 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
2018	$0	$4,314,146	$4,314,146	0.00%
2019	0	4,422,000	4,422,000	
2020	0	4,532,550	4,532,550	

For the open group scenarios (in which new contracts are assumed to be sold), marketing expenses are allocated to the year the contracts were sold and non-marketing expenses are allocated over the duration of the contract period until all tuition benefits are assumed to be paid. In fiscal year 2020, marketing expenses are assumed to be $2,000,000 for the open group scenarios. Marketing expenses are assumed to increase from the amount in fiscal year 2020 by 2.5 percent annually.

Mortality and Disability

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

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 the number of contract units used equal to the number of contract units purchased.

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.

Future Beneficiary Profile

The characteristics of future beneficiaries are assumed to be the same as the characteristics of 2016 new beneficiaries, including the following:

- Distribution of number of years until projected college entrance date at time of contract purchase;
- Distribution of contract type and number of years of tuition benefits purchased; and
- Distribution of contract payment options (lump sum, monthly or annual payment s over a period of between five and 15 years depending on beneficiary age at contract purchase).

Assumed Future Contract Prices

Pricing for contracts sold for the period January 18, 2017 through May 31, 2017 were based on the following pricing methodology and underlying assumptions which were developed by and are the responsibility of ISAC.

- Discount Rate of 7.0 percent.
- Tuition and Fee Increases of 6.0 percent for all years for all contract types
- Stabilization Fee of 15 percent of the Present Value of Tuition and Fee Benefits ("PVB") for Choice 1 contracts, 23 percent of the PVB for Choice 2 contracts and 25 percent of the PVB for Choice 3 contracts.
- Administrative Fee of 3.0 percent of the sum of the PVB and the Stabilization Fee.
- Weighted Average Tuition and Fees ("WATF") for FY 2018 equal to the WATF for FY 2017 increased by 6.0 percent for Choice 1, 3.0 percent for Choice 2, and 0.0 percent for Choice 3. Increase amounts are based on expected increases in the WATF.
- All payments are assumed to be made at the beginning of the year.
- The price increase limitation of 9.0 percent more than the prior year price for Choice 1 contracts has been eliminated.
- The provisions of Truth in Tuition will be included in the PVB calculations for multi-year contracts with credit values greater than 30. Please note that the provisions of Truth in Tuition do not apply towards fees. Fees are assumed to increase by 6.0 percent for all years.
- Benefits are assumed to be utilized in the first year in which the contract holder is eligible to attend college and also are assumed to be used at a rate of 30 credits per year.
- Prices will be determined according to single year age groups.
- Benefits may not be used until the third anniversary after the First Payment Date.
- Prices for "Combo" packages consisting of either (1) four University semesters combined with four Community College semesters or (2) four University Plus semesters combined with four Community College semesters were based on present values assuming the four Community College semesters were used first and as such are not equal to the sum of the separate lump sum prices for four University or University Plus semesters combined with four Community College semesters.
- Monthly and annual installment payments are calculated assuming an interest rate of 7.75 percent.
- A $3 processing fee per payment for monthly and annual installment payments.

Contract prices are assumed to increase each year by the tuition and fee increase assumption, which is 5.00 percent per year. Prices were not recalculated for future years to take into account the change in the investment return assumption from 6.50 percent to 6.25 percent. Changes in assumptions affect the stabilization fees that were calculated for the 2016-2017 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.

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.

Crowe LLP
Independent Member Crowe Global

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards***

Honorable Frank J. Mautino
Auditor General
State of Illinois, and

Mr. Kevin B. Huber
Chair of the Governing Board
Illinois Student Assistance Commission

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Student Assistance Commission's basic financial statements, and have issued our report thereon dated April 26, 2019. That report contains an emphasis of matter paragraph which states "as discussed in Note 13, the Illinois Prepaid Tuition Program Fund has a deficit as of June 30, 2018 of $280 million. The amount of the fund deficit is highly dependent on the actuarial assumptions used to calculate the present value of the future tuition benefits obligation." Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Student Assistance Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2018-001.

State of Illinois, Illinois Student Assistance Commission's Response to Findings

The State of Illinois, Illinois Student Assistance Commission's response to the finding identified in our audit is described in the accompanying schedule of findings. The State of Illinois, Illinois Student Assistance Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Illinois Student Assistance Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Signature on File

Crowe, LLP

Oak Brook, Illinois
April 26, 2019

FINDING 2018-001 – DEBT COVENANT VIOLATION

The Illinois Student Assistance Commission (Commission) – Illinois Designated Account Purchase Program (IDAPP) was not in compliance with one of the covenants relating to the agency's revolving line of credit agreement.

During our audit of Fiscal Year 2018 financial statements, we noted that IDAPP was in violation of one of the debt covenants related to the agency's revolving credit (loan) agreement. In addition, the Three-Year Asset Backed Revolving Credit Facility (Facility) matured on July 27, 2010 and has not been repaid. Per the agreement, the default ratio is set at a maximum three-month rolling average of 5.0% or a maximum of 6.25% for any settlement period. We reviewed the monthly reports noting that 9 of these months rose above at least one of these ratios, ranging from 5.19% to 8.43% for the three-month average and 7.36% to 9.58% for the settlement period.

As a result of the debt covenant violation and the maturity of the facility, the bank has certain remedies available to it under the terms of the loan agreement, principal of which would be rights to call the loan and take possession of the collateral (the underlying student loan portfolio). The bank has been made aware of the default ratio issues and the maturity of the loan and has not communicated to IDAPP any intent to exercise the remedies available to it under the terms of the loan agreement. The balance of the line of credit with the bank was $113,656,827 at June 30, 2018.

According to the Commission's management, the default ratio issues are due to the poor performance of the portfolio. The portfolio continues to experience a high level of delinquent accounts. The line of credit has not been refinanced because of the conditions in the private loan credit market.

As a result of the violation, the bank may have certain remedies under the terms of the loan agreement, principal of which would be the right to call the loan and take possession of the collateral (the underlying student loan portfolio of IDAPP). (Finding Code No. 2018-001, 2017-001, 2016-001, 2015-001, 2014-001, 2013-001, 12-2, 11-10, 10-6, 09-1)

Recommendation

We recommend the IDAPP continue to monitor the loan covenant violations and continue seeking remedies from the lender involved.

Commission Response

We agree with the recommendation. The loan covenants are reviewed on a monthly basis. We continue to talk to the bank about the portfolio.