

**State of Illinois
Office of the Treasurer
Illinois Achieving a Better Life
Experience Program**

Financial Audit
For the Years Ended June 30, 2019 and 2018

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

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Financial Audit
For the Years Ended June 30, 2019 and 2018**

Table of Contents

	Page
Treasurer's Office Officials	1
Financial Statement Report	
Summary	2
Independent Auditor's Report	3
Financial Statements	
Statements of Fiduciary Net Position	5
Statements of Changes in Fiduciary Net Position	6
Notes to the Financial Statements	7
Supplementary Information	
Statements of Fiduciary Net Position by Portfolio	13
Statements of Changes in Fiduciary Net Position by Portfolio	15
Note to the Supplementary Information	17
Other Information	
Key Performance Measures (Unaudited)	18
National ABLE Alliance Achieving a Better Life Experience	
Illinois Investment Policy Statement – Effective June 2019 (Unaudited)	19
Illinois Investment Policy Statement – Effective September 2018 through June 2019 (Unaudited)	28
Illinois Investment Policy Statement – Effective May 2018 through September 2018 (Unaudited)	37
Illinois Investment Policy Statement – Effective November 2017 through May 2018 (Unaudited)	45
Illinois Investment Policy Statement – Effective January 2017 through November 2017 (Unaudited)	53
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 <i>Government Auditing Standards</i>	61
Schedule of Findings	63

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Financial Audit
For the Years Ended June 30, 2019 and 2018**

Treasurer's Office Officials

Treasurer	The Honorable Michael W. Frerichs
Chief of Staff	Mr. G. Allen Mayer
Deputy Treasurer & Chief Investment Officer	Mr. Rodrigo Garcia
General Counsel & Ethics Officer	Ms. Laura Duque (December 1, 2019 to Present)
General Counsel & Ethics Officer (<i>Acting</i>)	Mr. Chris Flynn (April 22, 2019 to November 30, 2019)
General Counsel & Ethics Officer	Ms. Gwendolyn Drake (July 1, 2018 to April 21, 2019)
Chief Financial Products Officer	Mr. Fernando Diaz
Director of Illinois ABLE	Ms. JJ Hanley
Director of Investment Analysis and Due Diligence	Mr. Joe Aguilar
Director of Fiscal Operations	Ms. Deborah Miller
Executive Inspector General for the Illinois State Treasurer	Mr. Raymond Watson
Chief Internal Auditor	Ms. Leighann Manning

Treasurer's Office Locations

The Office of the Treasurer maintains the following four office locations:

Executive Office
State Capitol
219 State House
Springfield, Illinois 62706

Operations Division
Illinois Business Center
400 West Monroe Street, Suite 401
Springfield, Illinois 62704

Unclaimed Property Division
Myers Building
1 W. Old State Capitol Plaza, Suite 400
Springfield, Illinois 62701

Chicago Office Legal / Programmatic
James R. Thompson Center
100 West Randolph Street, Suite 15-600
Chicago, Illinois 60601

FINANCIAL STATEMENT REPORT

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Financial Audit
For the Years Ended June 30, 2019 and 2018**

Financial Statement Report

Summary

The audits of the accompanying financial statements of the Illinois Achieving a Better Life Experience program (ABLE) of the State of Illinois, Office of the Treasurer, were performed by Crowe LLP as of and for the years ended June 30, 2019 and 2018.

Based on their audits, the auditors expressed an unmodified opinion on ABLE's financial statements.

Summary of Findings

The auditors identified a matter involving the Office's internal control over financial reporting that they considered to be a material weakness.

<u>Item No.</u>	<u>Page</u>	<u>Last Reported</u>	<u>Description</u>	<u>Finding Type</u>
CURRENT FINDINGS				
2019-001	63	2018	Lack of Adequate Controls over the Review of External Service Provider	Material Weakness

Exit Conference

The finding and recommendation appearing in this report were discussed with Office personnel at an exit conference on December 18, 2019. Attending were:

Office of the State Treasurer

Leighann Manning, Chief Internal Auditor
Eric Williams, Senior Internal Auditor
Fernando Diaz, Chief Financial Products Officer
JJ Hanley, Director of Illinois ABLE
G. Allen Mayer, Chief of Staff

Office of the Auditor General

Stacie Sherman, Audit Manager

Crowe LLP

Chris Mower, Partner
Lisa Stinson, Senior Manager
Molly Moss, Staff

The response to the recommendation were provided by Fernando Diaz, Chief Financial Products Officer, in a correspondence dated January 28, 2020.

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

The Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Achieving a Better Life Experience Program (ABLE), a fiduciary (private-purpose trust) fund of the State of Illinois, Office of the Treasurer, as of and for the years ended June 30, 2019 and 2018, and the related notes to the 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 an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABLE, of the State of Illinois, Office of the Treasurer, as of June 30, 2019 and 2018, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only ABLE, and do not purport to, and do not, present fairly the financial position of the State of Illinois or the State of Illinois, Office of the Treasurer, as of June 30, 2019 and 2018, the changes in financial position, or, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of ABLE of the State of Illinois, Office of the Treasurer. The Supplementary Information (pages 13 - 17) and Other Information (pages 18 - 60) as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The Supplementary Information, consisting of the statements by portfolio and note to the supplementary information, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Other Information, consisting of Key Performance Measures and the National ABLE Alliance Achieving a Better Life Experience, Illinois Investment Policy Statements have not been subjected to the auditing procedures applied in the audit of the 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 January 28, 2020 on our consideration of the State of Illinois, Office of the Treasurer's internal control over financial reporting of ABLE 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 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 Office of the Treasurer's 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, Office of the Treasurer's internal control over financial reporting of ABLE and its compliance.

Crowe LLP

Springfield, Illinois
January 28, 2020

FINANCIAL STATEMENTS

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Statements of Fiduciary Net Position
June 30, 2019 and 2018**

	2019	2018
Assets		
Investments	\$ 5,833,289	\$ 2,295,650
Redemption Proceeds Receivable	7,940	14,000
Total Assets	<u>5,841,229</u>	<u>2,309,650</u>
Liabilities and Net Position		
Withdrawals Payable	<u>7,940</u>	<u>14,000</u>
Total Liabilities	<u>7,940</u>	<u>14,000</u>
Net Position Held in Trust for Participants	<u>\$ 5,833,289</u>	<u>\$ 2,295,650</u>

The accompanying notes are an integral part of these statements.

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2019 and 2018**

	2019	2018
Additions		
Investment Income		
Investment Earnings	\$ 220,490	\$ 51,910
Other Income	<u>562</u>	<u>386</u>
Total Investment Income	<u>221,052</u>	<u>52,296</u>
Investment Expenses		
Management Fees	8,968	2,900
Other Expense	<u>1,116</u>	<u>202</u>
Total Investment Expenses	<u>10,084</u>	<u>3,102</u>
Net Investment Income	<u>210,968</u>	<u>49,194</u>
Other Participant Transactions		
Program Contributions	<u>4,170,697</u>	<u>2,155,909</u>
Total Additions	<u>4,381,665</u>	<u>2,205,103</u>
Deductions		
Program Withdrawals	<u>844,026</u>	<u>336,197</u>
Increase in Net Position	3,537,639	1,868,906
Net Position, Beginning	<u>2,295,650</u>	<u>426,744</u>
Net Position, End	<u>\$ 5,833,289</u>	<u>\$ 2,295,650</u>

The accompanying notes are an integral part of these statements.

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018**

Background

The Stephen Beck Jr., Achieving a Better Life Experience Act of 2014 (the “ABLE Act”) enacted on December 19, 2014, as part of The Tax Increase Prevention Act of 2014 (Pub. L. 113-295), added section 529A to the Internal Revenue Code of 1986, as amended (Section 529A). The ABLE Act provides eligible individuals with blindness or qualifying disabilities a means to save for disability-related expenses in a tax-advantaged way. Section 529A allows the creation of a “qualified ABLE program” by a state under which a separate ABLE account may be established for a disabled individual who is the designated beneficiary and owner of that account.

On January 1, 2016, the General Assembly of the State of Illinois adopted Public Act 99-145, creating the Illinois Achieving a Better Life Experience (“IL ABLE”) program within the Illinois State Treasurer’s Office (the “Treasurer”) to allow individuals with disabilities and their families to save money to cover qualified disability expenses, without giving up eligibility for public benefits. Illinois, along with several other states, formed a consortium (the “Consortium” or “Member States”) and entered into an Interstate Agreement to benefit from efficiencies and economies of scale achieved by working together to adopt common program elements.

The Treasurer officially launched IL ABLE on January 30, 2017. The Treasurer is responsible for the administration and implementation of IL ABLE in accordance with federal rules and regulations. IL ABLE is a “qualified ABLE program” under Section 529A of the Internal Revenue Code of 1986, as amended, so the IL ABLE accounts’ earnings are federally tax-advantaged.

Savings and investments in IL ABLE are intended to improve the quality of life of the IL ABLE designated beneficiary (the “Beneficiary”). IL ABLE accounts are sold directly to the public. The Beneficiary may be a resident or non-resident of Illinois. The Beneficiary or designated representative (the “Account Owner”) selects investment portfolios for the purpose of helping the Beneficiary or Account Owner meet the qualified expenses of the Beneficiary. Withdrawals from IL ABLE accounts can be used to pay for qualified disability expenses including, but are not limited to education, health and wellness, housing, transportation, legal fees, financial management, employment training and support, assistive technology, personal support services, oversight and monitoring, and funeral and burial expenses of the Beneficiary.

Amounts contributed to IL ABLE are invested in the Ascensus ABLE Consortium Trust (the “Trust”). As of June 30, 2019, Ascensus College Savings Recordkeeping Services, LLC (the “Program Manager”) provided investment management services and general administrative services. The Bank of New York Mellon was responsible for the custody and valuation of the underlying investments. Fifth Third Bank was responsible for the custody of the investments within checking accounts.

Note 1. Summary of Significant Accounting Policies

Financial Reporting Entity

As described in the Illinois Comprehensive Annual Financial Report, the State of Illinois is the primary government which includes all funds, elected offices, departments and agencies of the State, as well as boards, commissions, authorities, universities and colleges over which the State’s executive or legislative branches exercise legal control. For financial reporting purposes, IL ABLE is part of the primary government and is included in the Illinois Comprehensive Annual Financial Report as a private-purpose trust fund.

IL ABLE is a separate legal entity from the State of Illinois. An Agreement of Trust was entered into by the Program Manager, Ascensus Investment Advisors, LLC (the “Trust Administrator”), a Delaware Trust

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018**

Note 1. Summary of Significant Accounting Policies (Continued)

Financial Reporting Entity (Continued)

Company, and the Member States to establish the Trust. Within the Trust, each Member State's assets are held in the state's unique Series. The Illinois ABLE Series holds Illinois' assets including the related income, earnings, profits, and proceeds from the sale, exchange, and liquidation of such assets. The scope of the IL ABLE financial statements presented herein is limited to the financial position of the IL ABLE private-purpose trust fund.

Fiduciary Fund

The Illinois ABLE Fund is classified as a private-purpose trust fund. This trust fund is used to account for assets administered by the Treasurer in a trustee capacity. This fund is not held in the State Treasury and is a non-appropriated fund.

Basis of Accounting and Measurement Focus

The accounts of IL ABLE are maintained and 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of IL ABLE accounts that have investments in the Checking Option or have investments in a portfolio whose underlying assets are in a savings account.

Investment Earnings

Investment earnings are a combination of dividend income and interest income generated from mutual fund investments. Mutual fund yields are subject to market rate fluctuations.

Fair Value of Investments

Investments in the underlying funds are carried at fair value based on the closing net asset or unit value per share of each Underlying Fund on the last business day on or prior to June 30.

Management Estimates

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make certain estimates that affect the reported amounts of assets and liabilities 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. These estimates may differ from actual results.

Note 2. Investments

Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, provides guidance for determining a fair value measurement and applying fair value to certain

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018**

Note 2. Investments (Continued)

investments for financial reporting purposes. GASB Statement No. 72 permits investments that do not have a readily determinable fair value to use the net asset value (NAV) per share, or its equivalent, to establish the fair value of the investments. IL ABLE reports all investments at the NAV based on closing prices on June 30, 2019 and 2018.

Net Asset Value:

As stated in the aforementioned paragraph, IL ABLE reports its investments at the NAV per share for financial reporting purposes. GASB Statement No. 72 requires additional disclosure for investments that calculate the NAV per share, or its equivalent, do not have a readily determinable fair value, and are measured at fair value on a recurring or non-recurring basis during the period. The investments are composed of U.S. equity and U.S. debt mutual funds that invest in marketable equities that are exchange traded in the U.S. and in countries outside the U.S. The fair value of the investments has been determined using the NAV per share provided by the Program Manager. The funds can be redeemed at any point in time. The redemption is processed the same day if received by the Program Manager before the close of the market or the next day if received after. Settlement may take up to 10 business days.

The following table summarizes IL ABLE's investments at NAV per share as of June 30, 2019 and 2018:

<u>Type</u>	<u>NAV as of 6/30/19</u>	<u>NAV as of 6/30/18</u>
Investments	<u>\$ 5,833,289</u>	<u>\$ 2,295,650</u>
Total	<u>\$ 5,833,289</u>	<u>\$ 2,295,650</u>

Permitted Investments:

As a member of the Consortium, IL ABLE investments are specified in the National ABLE Alliance Plan Disclosure Statement and may not be changed without prior approval of all Member States. In addition, IL ABLE investment activities are governed by the established Illinois Achieving a Better Life Experience Investment Policy, updated September 26, 2018 and subsequently on June 26, 2019 (the "Policy Statement") (included in the "other information" section of this report), which was developed in accordance with the State statute. In addition, the Treasurer has adopted its own investment practices, which supplements the statutory requirements.

The Policy Statement allows funds (contributions) to be invested in one of several Portfolios, each with a designated mix of investments that is appropriate for the investment objective of the Portfolio. The determination of the investment parameters of each Portfolio are made by the Consortium and take into account the financial characteristics of the investments in the program. Each Portfolio allocates assets in a combination of underlying investments, investing among domestic equity, international equity, real estate, domestic and international fixed-income, and/or cash and cash equivalents. The asset allocation of each Portfolio is established by the Consortium and managed by the Program Manager. The Consortium may adjust the weighting in stocks, bonds, real estate, and cash in each Portfolio and may change the underlying investments within the Portfolios consistent with the Policy Statement and its agreement with the Program Manager.

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018**

Note 2. Investments (Continued)

Investment Options:

General Overview

IL ABLE offered the following investment portfolios as of June 30, 2019 and 2018:

- Aggressive Portfolio
- Moderately Aggressive Portfolio
- Growth Portfolio
- Moderate Portfolio
- Moderately Conservative Portfolio
- Conservative Portfolio
- Checking (Banking) Option Portfolio

The portfolios are designed to have a mix between equity, fixed-income, and cash depending on the Account Owner's goals and desired level of risk. The more aggressive portfolios seek higher returns by having a higher percentage of equity while the more conservative portfolios place capital preservation over growth by having a higher percentage of fixed-income and cash and cash equivalents.

Investment Risk:

Interest Rate and Credit Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As written in the Policy Statement, the Treasurer, as well as the Consortium, has adopted a long-term total return strategy. A long-term diversified asset allocation strategy based on (1) asset classes (stocks, bonds, cash, etc.), (2) geography/country, (3) industry, and (4) maturity will be the primary method of risk control.

The investment options in IL ABLE are not guaranteed or insured by the State of Illinois, the Treasurer, the Program Manager, affiliates of the Program Manager, the FDIC, or any other party. The portion of funds held as cash in IL ABLE's checking account options are held by Fifth Third Bank and are insured by the FDIC up to \$250,000, and amounts in excess of FDIC insurance limits are not collateralized or covered by supplemental insurance.

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018**

Note 2. Investments (Continued)

As discussed in the first and second paragraph of Note 2, IL ABLE reports its investments at the NAV per share for financial reporting purposes. The fair value, interest rate risk and credit risk of the fixed income funds, which make up a portion of the total investment reported at NAV, for IL ABLE as of June 30, 2019 are detailed in the table below.

Type	2019				
	Fair Value	Interest Rate Risk	Method	Credit Risk	Rating Service
Fixed Income Funds:					
Open-Ended Mutual Funds - Effective Maturity Funds	\$ 1,164,409	4.59 years	Effective Maturity	NR*	NA**
Open-Ended Mutual Funds - Weighted Average Maturity Funds	129,379	9.22 years	Weighted Average Maturity	NR*	NA**
	<u>\$ 1,293,788</u>				

* Credit Risk of NR indicates that while the underlying securities within the funds may be rated, the mutual fund itself is not rated.

** Not applicable

The fair value, interest rate risk and credit risk of the fixed income funds, which make up a portion of the total investment reported at NAV, for IL ABLE as of June 30, 2018 are detailed in the table below.

Type	2018				
	Fair Value	Interest Rate Risk	Method	Credit Risk	Rating Service
Fixed Income Funds:					
Open-Ended Mutual Funds - Effective Maturity Funds	\$ 500,111	4.62 years	Effective Maturity	NR*	NA**
Open-Ended Mutual Funds - Weighted Average Maturity Funds	55,568	9.04 years	Duration	NR*	NA**
	<u>\$ 555,679</u>				

* Credit Risk of NR indicates that while the underlying securities within the funds may be rated, the mutual fund itself is not rated.

** Not applicable

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018**

Note 3. Administrative Fees

To administer IL ABLE, the Treasurer has a division entitled, "Illinois ABLE". The revenues and expenses of the division are recorded in an enterprise proprietary fund, Illinois ABLE Accounts Administrative Fund No. 358, maintained by the Treasurer. No expenses were paid from the Illinois ABLE Accounts Administrative Fund during fiscal years 2019 or 2018.

Program Management Fees

The Program Manager is paid a program management fee as compensation for administering and managing the investment options and IL ABLE. The fee is 0.32% on net assets in each investment option excluding the Checking Option. The fee accrues daily and reduces the net asset value per share.

Underlying Investment Fees

The underlying investment fee includes investment advisory fees, administrative fees, and other expenses of the underlying investment. This fee varies from 0.02% to 0.05% depending on the investment option, excluding the Checking (Banking) Option. These fees are paid out of the assets of the mutual funds and reduce the amount of income available for distribution in the form of dividends or capital gains.

Account-Based Fees

After an IL ABLE account has been open for at least 90 days, a \$15 Quarterly Account Maintenance Fee is assessed. The Program Manager receives \$13.75 of this fee as compensation for administering and managing IL ABLE, and the Treasurer's Office receives the remaining \$1.25. This fee may be discounted if the account owner chooses electronic delivery of statements and confirmations.

Checking (Banking) Option Service Charge

Each account invested in the Checking (Banking) Option is assessed a monthly service charge of \$2. This fee is waived if the Account Owner maintains an average minimum daily balance of \$250 or if the account owner chooses electronic statement delivery. The fee is paid to Fifth Third Bank.

The IL ABLE program management fees paid from the Trust and the Illinois ABLE Accounts Administrative Fund expenses were as follows:

	<u>2019</u>	<u>2018</u>
Program Management Fees	\$ 8,968	\$ 2,900
Total	<u>\$ 8,968</u>	<u>\$ 2,900</u>

SUPPLEMENTARY INFORMATION

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Statement of Fiduciary Net Position by Portfolio
June 30, 2019**

	Aggressive Portfolio	Moderately Aggressive Portfolio	Growth Portfolio	Moderate Portfolio	Moderately Conservative Portfolio	Conservative Portfolio	Checking (Banking) Option Portfolio	Total
Assets								
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 79,267	\$ 407,970	\$ 1,602,937	\$ 2,090,174
Investments	1,052,257	769,785	857,785	553,365	237,802	271,980	-	3,742,974
Net Unsettled Transactions	1,668	1,915	2,986	657	839	2,132	(2,830)	7,367
Other Assets	-	-	292	-	60	-	-	352
Total Assets	1,053,925	771,700	861,063	554,022	317,968	682,082	1,600,107	5,840,867 *
Liabilities and Net Position								
Liabilities								
Withdrawals Payable	125	43	986	309	353	272	3,466	5,554
Other Liabilities	406	169	-	226	6	37	107	951
Accrued Program Management Fees	265	195	218	140	81	174	-	1,073
Total Liabilities	796	407	1,204	675	440	483	3,573	7,578
Net Position Held in Trust for Participants	\$ 1,053,129	\$ 771,293	\$ 859,859	\$ 553,347	\$ 317,528	\$ 681,599	\$ 1,596,534	\$ 5,833,289 *

*See Note to the Supplementary Information

**State of Illinois
Office of the Treasurer**

**Illinois ABL Program
Statement of Fiduciary Net Position by Portfolio
June 30, 2018**

	Aggressive Portfolio	Moderately Aggressive Portfolio	Growth Portfolio	Moderate Portfolio	Moderately Conservative Portfolio	Conservative Portfolio	Checking (Banking) Option Portfolio	Total
Assets								
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 36,630	\$ 120,268	\$ 564,242	\$ 721,140
Investments	389,194	296,665	444,408	248,830	109,890	80,179	-	1,569,166
Net Unsettled Transactions	1,327	779	988	1,557	451	1,318	1,392	7,812
Other Assets	74	-	173	-	60	-	-	307
Total Assets	390,595	297,444	445,569	250,387	147,031	201,765	565,634	2,298,425 *
Liabilities and Net Position								
Liabilities								
Withdrawals Payable	166	135	32	1	23	314	1,494	2,165
Other Liabilities	-	58	-	72	-	41	-	171
Accrued Program Management Fees	100	76	113	63	36	51	-	439
Total Liabilities	266	269	145	136	59	406	1,494	2,775
Net Position Held in Trust for Participants	\$ 390,329	\$ 297,175	\$ 445,424	\$ 250,251	\$ 146,972	\$ 201,359	\$ 564,140	\$ 2,295,650 *

*See Note to the Supplementary Information

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Statement of Changes in Fiduciary Net Position by Portfolio
For the Year Ended June 30, 2019**

	Aggressive Portfolio	Moderately Aggressive Portfolio	Growth Portfolio	Moderate Portfolio	Moderately Conservative Portfolio	Conservative Portfolio	Checking (Banking) Option Portfolio	Total
Investment Income (Expense)								
Investment Earnings	\$ 72,821	\$ 42,921	\$ 46,178	\$ 27,186	\$ 13,069	\$ 18,315	\$ -	\$ 220,490
Other Income	-	64	292	65	-	50	91	562
Exchanges In	20,387	18,223	14,833	20,536	20,346	24,789	49,821	168,935
Management Fees	(2,252)	(1,643)	(1,847)	(1,168)	(655)	(1,403)	-	(8,968)
Other Expense	(490)	(169)	(143)	(226)	(51)	(37)	-	(1,116)
Net Investment Earnings (Loss)	90,466	59,396	59,313	46,393	32,709	41,714	49,912	379,903
Participant Transactions								
Program Contributions	618,090	465,518	449,997	329,768	200,860	509,872	1,596,592	4,170,697
Program Withdrawals	(31,819)	(33,560)	(55,155)	(48,072)	(49,553)	(54,230)	(571,637)	(844,026)
Exchanges Out	(13,937)	(17,236)	(39,720)	(24,993)	(13,460)	(17,116)	(42,473)	(168,935)
Total Increase (Decrease) From Participant Transactions	572,334	414,722	355,122	256,703	137,847	438,526	982,482	3,157,736
Change in Net Position	662,800	474,118	414,435	303,096	170,556	480,240	1,032,394	3,537,639
Net Position, Beginning of Year	390,329	297,175	445,424	250,251	146,972	201,359	564,140	2,295,650
Net Position, End of Year	\$ 1,053,129	\$ 771,293	\$ 859,859	\$ 553,347	\$ 317,528	\$ 681,599	\$ 1,596,534	\$ 5,833,289

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Statement of Changes in Fiduciary Net Position by Portfolio
For the Year Ended June 30, 2018**

	Aggressive Portfolio	Moderately Aggressive Portfolio	Growth Portfolio	Moderate Portfolio	Moderately Conservative Portfolio	Conservative Portfolio	Checking (Banking) Option Portfolio	Total
Investment Income (Expense)								
Investment Earnings	\$ 18,216	\$ 9,605	\$ 11,336	\$ 7,042	\$ 2,961	\$ 2,750	\$ -	\$ 51,910
Other Income	93	-	199	6	60	-	28	386
Exchanges In	24,018	1,711	7,285	7,941	1,792	500	11,456	54,703
Management Fees	(659)	(515)	(739)	(415)	(247)	(325)	-	(2,900)
Other Expense	-	(81)	-	(72)	(1)	(48)	-	(202)
Net Investment Earnings (Loss)	41,668	10,720	18,081	14,502	4,565	2,877	11,484	103,897
Participant Transactions								
Program Contributions	275,914	267,375	392,449	191,616	147,842	174,760	705,953	2,155,909
Program Withdrawals	(4,007)	(21,730)	(20,838)	(10,198)	(21,140)	(42,964)	(215,320)	(336,197)
Exchanges Out	(2,897)	(19,763)	(6,460)	(3,682)	(7,924)	(5,607)	(8,370)	(54,703)
Total Increase (Decrease) From Participant Transactions	269,010	225,882	365,151	177,736	118,778	126,189	482,263	1,765,009
Change in Net Position	310,678	236,602	383,232	192,238	123,343	129,066	493,747	1,868,906
Net Position, Beginning of Year	79,651	60,573	62,192	58,013	23,629	72,293	70,393	426,744
Net Position, End of Year	\$ 390,329	\$ 297,175	\$ 445,424	\$ 250,251	\$ 146,972	\$ 201,359	\$ 564,140	\$ 2,295,650

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Note to the Supplementary Information
For the Years Ended June 30, 2019 and 2018**

Note 1. Reconciliation of Total Assets

The Statement of Fiduciary Net Position by Portfolio reports ABLE investments at the individual portfolio level, reporting the specific assets and liabilities related to the portfolio. The Statement of Fiduciary Net Position reports investments at the state level based on net asset value. In addition, the Statement of Fiduciary Net Position reports the total assets and liabilities of the master trusts which includes redemption proceeds receivable and withdrawals payable. These accounts, redemption proceeds receivable and withdrawals payable, are not reported in the Statement of Fiduciary Net Position by Portfolio because this activity is only reported at the master trust level and not at the portfolio level. Following is the reconciliation of assets between the two statements as of June 30, 2019 and 2018:

	<u>6/30/19</u>	<u>6/30/18</u>
Statement of Fiduciary Net Position by Portfolio – Total Assets	\$ 5,840,867	\$ 2,298,425
Statement of Fiduciary Net Position by Portfolio – Total Liabilities	(7,578)	(2,775)
Statement of Fiduciary Net Position – Redemption Proceeds Receivable	<u>7,940</u>	<u>14,000</u>
Statement of Fiduciary Net Position - Total Assets	<u>\$ 5,841,229</u>	<u>\$ 2,309,650</u>

Other Information

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Key Performance Measures
June 30, 2019 and 2018
(Unaudited)**

	<u>Illinois</u>		<u>Out of State</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
Number of Participant Accounts	851	394	62	26	913	420
Net Position Held in Trust for Participants	\$ 5,568,241	\$ 2,158,923	\$ 265,048	\$ 136,727	\$ 5,833,289	\$ 2,295,650

Note:

"Participant Accounts" is defined as the number of funded accounts by account owner.

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019)
(Unaudited)**

**State of Illinois
Office of the Treasurer**

**National ABLI Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019)
(Unaudited)**

1.0 STATEMENT OF PURPOSE OF INVESTMENT POLICY

The purpose of this Investment Policy Statement (the “Policy”) is to assist contractors retained by the Achieving a Better Life Experience Program Alliance (the “Consortium”) to provide services related to the management of the assets of the Illinois Achieving a Better Life Experience (“ABLE”) pool that are contributed to the Illinois Achieving a Better Life Experience program (the “Program”) and to assist the Consortium in evaluating the performance of such contractors by:

- Describing the Consortium’s investment objectives;
- Providing general guidelines for the investment of assets of the Program;
- Describing the Consortium’s long-term investment strategy;
- Describing the process of evaluating the performance of employees or contractors that provide investment management services to the Program; and
- Specifying the responsibilities of any contractors that provide investment management services to the Program.

This is the official Policy of the Program. Deviation from this Policy is not permitted without prior, explicit, written permission from the Consortium.

2.0 ESTABLISHMENT AND AUTHORITY OF ENTITY

The Illinois Achieving a Better Life Experience program has been established as part of Illinois’ State Treasurer Act, 15 ILCS 505 (“Act”). The Act creates ABLE account program to encourage and assist individuals and families in saving private funds for the purpose of supporting persons with disabilities in endeavors to maintain health, independence, and quality of life, and to provide secure funding for disability-related expenses on behalf of designated beneficiaries with disabilities that will supplement, but not supplant, benefits provided through private insurance, federal and State medical and disability insurance, the beneficiary’s employment, and other sources.

3.0 INVESTMENT PHILOSOPHY

The Illinois State Treasurer’s Office, as a member of the Consortium, has adopted a long-term total return strategy for the Program and its investments. In order to achieve the Program’s objectives, investments shall be diversified so as to minimize the risk of loss. While some asset classes may experience short-term and intermediate-term volatility, their long-term return assumptions justify their inclusion. A long-term focus on investment results as well as prudent diversification across public security markets will be the primary risk control mechanisms.

In its investment strategy, the Consortium has relied on prevailing financial theory, which currently utilizes a long-term diversified asset allocation strategy. A prudently allocated investment program possesses a significant level of diversification, which produces risk reduction. In terms of impact, diversification shall be considered along the following lines: (1) asset classes (stocks, bonds, cash, etc.); (2) geography/country; (3) industry; and (4) maturity.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019)
(Unaudited)**

Contributions to the Program will be directed to one or more of the available Target Portfolios (“Portfolios”), each composed of a designated mix of investments funds. The determination of the investment parameters of each Portfolio shall be made by the Consortium and shall take into account the financial characteristics of the investments in the Program. The investment parameters will also give due consideration to the fact that the investment horizon for participants will vary from a few months to over 25 years.

The Illinois State Treasurer’s Office will review the investment performance of each Portfolio at least quarterly and shall review this Policy at least annually. The holdings of the Program and the Portfolios are divided into the following broad asset categories:

- Short-Term Investments
- Domestic Fixed Income Investments
- International Fixed Income Investments
- Domestic Equity Investments
- International Equity Investments
- Real Estate Investments

The Consortium will establish reasonable guidelines for each Portfolio, specifying (as applicable) limits on asset and asset class exposures, risk constraints and investment return objectives. While the investment parameters offered under the Program are developed by the Consortium, participants bear the risk of investment results.

The administration and offering of the Program should not be relied upon as a guarantee to participants. Each participant should seek appropriate advice as he or she deems necessary.

Consistent with achieving the foremost investment objectives of the Treasurer set forth herein, the Treasurer will prudently exercise investment stewardship to maximize anticipated financial returns, minimize projected risk, and more effectively execute its fiduciary duty. Sustainability factors shall be implemented within such a framework predicated on the following:

- A. Prudent integration of material sustainability factors, including, but not limited to (1) corporate governance and leadership factors, (2) environmental factors, (3) social capital factors, (4) human capital factors, and (5) business model and innovation factors, as components of portfolio construction, investment decision-making, investment analysis and due diligence, prospective value proposition, risk management, and investment ownership, given that these tangible and intangible factors may have material and relevant financial impacts;
- B. Recurring evaluation of sustainability factors to ensure the factors are relevant and decision-useful to the Program and the evolving marketplace;
- C. Attentive oversight of investment holdings to encourage the advancement of sustainability accounting and disclosure through the exercise of proxy voting rights and engagement with entities – such as investment funds, investment holdings, portfolio companies, government bodies, and other organizations – and move the marketplace toward more prudent, sustainable business

**State of Illinois
Office of the Treasurer**

**National ABLI Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019)
(Unaudited)**

practices; and

- D. Consideration of other relevant factors such as legal, regulatory, and reputational risks that enable an optimal risk management framework and supports long-term investment value.

4.0 INVESTMENT OBJECTIVES

The overall investment program for the Program and, as applicable, the Portfolios provided to the participants shall seek to achieve the following long-term investment objectives:

- A long-term competitive rate of return on investments that is equal to or exceeds a return of the applicable benchmarks shown in Section 7.0 hereof; and
- An investment program flexible enough to meet the needs of participants based upon their age or investment objective and which provides each individual with the ability to invest in a diversified portfolio to meet his or her long-term investment goals.

5.0 INVESTMENT RESPONSIBILITIES

The Consortium is responsible for the direction of investments and administration of the assets of the Program. In order to properly carry out his responsibilities, the Consortium may rely on one or more contractors to assist in the administration of the Program. The Consortium will engage and plan to rely heavily on said contractor (the "Manager") for administrative services and investment management services. Among the current responsibilities of the Manager is the implementation of the investment strategy outlined in this Policy and the rebalancing of the Target Portfolios when market movement and/or cash flows cause an asset class to be outside its policy allocation bands. With the Consortium's approval, the Manager may retain an investment advisor to provide it with portfolio design, due diligence and ongoing monitoring services with respect to the Portfolios and the implementation of the investment strategy outlined in this policy. The Consortium and the Manager shall meet quarterly to review portfolio performance as compared to the applicable benchmarks and peer group performance.

In managing the investments of the Program and the Portfolios, the Manager agrees that it will act with the skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like objectives.

The Program will rely on external investment consultants for investment and administrative advisory services. The independent investment consultant will:

- Measure investment performance results evaluate the investment program, and advise the Consortium as to the performance and continuing appropriateness of each investment manager;
- Recommend modifications to the investment policies, objectives, guidelines, or management structure as appropriate; and
- Promptly inform the Consortium regarding significant matters pertaining to the investment program.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019)
(Unaudited)**

5.1 Treasurer's Investment Policy Committee

The Treasurer's Office maintains an Investment Policy Committee that is chaired by the Treasurer and includes the following members of the Treasurer's staff: Deputy Treasurer & Chief Investment Officer, Chief of Staff, Chief Financial Products Officer, Chief Legislative and Policy Officer, General Counsel, Director of State Investments and Banking, Director of Investment Analysis and Due Diligence, Director of Fiscal Operations, Director of IPTIP Investments, Director of Portfolio Risk and Analytics, Director of ePAY and The Illinois Funds, the Portfolio Investments & Cash Management Officer, and anyone else deemed appropriate by the Treasurer. The Investment Policy Committee will perform oversight and advisory duties on behalf of the Treasurer's Office to support the Program, including, but not limited to:

- Monitoring and providing insight into the construction and overall strategy of the investment portfolio;
- Reviewing and providing insight into the investment policies, objectives, parameters, responsibilities, benchmarks, or management structure as appropriate;
- Monitoring investment performance results and associated costs/fees on a quarterly basis;
- Providing guidance and feedback regarding the suitability of prospective investment funds that are recommended for receipt of Program monies;
- Monitoring and evaluating the performance and continuing appropriateness of each fund manager;
- Assisting in the evaluation of the Manager, external investment consultants, and any other external parties hired to service the Program; and
- Providing general commentary, perspective, and insights regarding market conditions that may impact the Program.

5.2 Preference for Investment Managers Owned by Minorities, Women, Veterans, and Persons with Disabilities

Pursuant to 15 ILCS 505/30, it shall be an aspirational goal of the Treasurer and its agents to use businesses owned by or under the control of qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability for not less than 25% of the total dollar amount of funds under management in the Program.

The terms "minority person", "woman", "person with a disability", "minority-owned business", "women-owned business", "business owned by a person with a disability", and "control" have the meanings provided in Section 1 of the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575). The terms "veteran", "qualified veteran-owned small business", "qualified service-disabled veteran-owned small business", "qualified service-disabled veteran", and "armed forces of the United States" have the meanings provided in Article 1 of the Illinois Procurement Code (30 ILCS 500).

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019)
(Unaudited)**

To the greatest extent feasible within the bounds of financial and fiduciary prudence, it shall be the policy of the Treasurer and its agents to remove any barriers to the full participation in investment management services afforded via the Program by actively identifying and considering for hire investment managers that are owned by or under the control of qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability.

6.0 RISK MANAGEMENT

The Illinois State Treasurer's Office shall develop internal processes and procedures to ensure that effective risk management systems are in place to monitor the risk levels of the Program. The processes shall ensure that the risks taken are prudent and properly managed, provide an integrated process for overall risk management, and assess investment returns as well as risk to determine if the risks taken are adequately compensated compared to applicable performance benchmarks and standards. The Illinois State Treasurer's Office and the Manager shall meet quarterly to review Portfolio and underlying fund performance as compared to the applicable benchmarks and peer group performance and will review the asset allocation of each Portfolio on an annual basis.

7.0 INVESTMENT PARAMETERS

Contributions will be invested in one or more of the available Portfolios, each composed of a designated mix of investments which is appropriate for the investment preference of the participant or the investment objective of the Portfolio. Each Portfolio may allocate assets among domestic equity, international equity, real estate, domestic and international fixed- income, and/or cash and cash equivalents. The asset allocation of each Portfolio will be established by the Consortium and managed by the Manager. The Consortium may adjust the weighting in stocks, bonds, real estate, and cash in each Portfolio and may change the underlying investment funds within the Portfolios consistent with this Policy.

The policy target asset allocations and benchmarks for the underlying investments within the Target Portfolios are shown in the following table. There is a permissible range of plus or minus 5% of the target allocation for each underlying investment fund. Please refer to Exhibit A for Target Portfolio Objectives and refer to Exhibit B for a list of underlying investment products and their corresponding benchmarks.

**State of Illinois
Office of the Treasurer**

**National ABLI Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019)
(Unaudited)**

Target Portfolios		#1	#2	#3	#4	#5	#6
Asset Class	Benchmark	Aggressive	Moderately Aggressive	Growth	Moderate	Moderately Conservative	Conservative
Domestic Equity	S & P 500 Index	31.50%	26.25%	21.00%	15.75%	10.50%	3.50%
	S & P Completion	27.00%	22.50%	18.00%	13.50%	9.00%	3.00%
Real Estate	Dow Jones U.S. Select Real Estate Index	9.00%	7.50%	6.00%	4.50%	3.00%	1.00%
International Equity	MSCI EAFE	16.20%	13.50%	10.80%	8.10%	5.40%	1.80%
	MSCI Emerging Markets	6.30%	5.25%	4.20%	3.15%	2.10%	0.70%
Domestic Fixed Income	Bloomberg Barclays US Treasury TIPS 0-5 Yrs.	3.50%	8.75%	14.00%	19.25%	15.75%	10.50%
	Bloomberg Barclays U.S. Aggregate Bond	3.00%	7.50%	12.00%	16.50%	13.50%	9.00%
	Bloomberg Barclays U.S. Gov't/Credit 1-5yr	2.50%	6.25%	10.00%	13.75%	11.25%	7.50%
International Fixed Income	Bloomberg Barclays Global Aggregate Bond ex- US	1.00%	2.50%	4.00%	5.50%	4.50%	3.00%
Short Term Investments	3-month T-Bills	0.00%	0.00%	0.0%	0.00%	25.00%	60.00%

Each underlying investment fund's return objective is to equal or exceed, over a five-year rolling period, the return of the applicable benchmark net of fees. Volatility, measured by the standard deviation of quarterly returns over that period, is expected to be similar to the benchmark. Each underlying investment fund is also expected to perform favorably relative to its peer group.

To the extent that the assets of a Portfolio are invested in one or more underlying investment funds approved by the Consortium having investment objectives consistent with the above-noted asset allocation categories, the above-noted percentage guidelines shall be deemed satisfied. This shall be the case even if such underlying investment fund's underlying assets may not be entirely invested in the asset class in which such underlying investment fund has been placed.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019)
(Unaudited)**

8.0 BANKING OPTION

The Program has included the option for participants for a short-term investment vehicle in the form of a Demand Deposit Account (the "Banking Option"). The Banking Option will be an FDIC-Insured bank account whose primary objective is the preservation and safety of the principal and the provision of a stable and low -risk rate of return. This option allows the participants the ability to execute recurring transactions with greater ease. The provider for the Banking Option will be Fifth Third Bank (the "Banking Option Provider").

The Banking Option Provider will provide monthly account statements following any month in which an account using the Account utilizing the Banking Option had financial activity. All account statements shall be sent to the respective Account Owner and any authorized agents and may be sent via /or Authorized Agents by U.S. postal mail and/or provided via website access electronic delivery, as selected specified by the Account Owner.

State of Illinois
Office of the Treasurer

National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019)
(Unaudited)

Exhibit A
Target Portfolio Objectives

The **Aggressive Target Portfolio** seeks to provide very aggressive capital appreciation and some current income. The fund holds 90% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 10% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for the most aggressive growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderately Aggressive Target Portfolio** seeks to provide aggressive capital appreciation and some current income. The fund holds 75% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 25% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for aggressive growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Growth Target Portfolio** seeks to provide capital appreciation and some current income. The fund holds 60% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 40% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderate Target Portfolio** seeks to provide moderate capital appreciation and current income. The fund holds 45% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 55% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderately Conservative Target Portfolio** seeks to provide conservative capital appreciation and current income. The fund holds 30% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 70% in bonds, allocated among domestic bonds, international bonds, and short-term investments. Investors with a medium-term time horizon who are looking for conservative growth of principal over time and who can accept some stock market volatility may wish to consider this Portfolio.

The **Conservative Target Portfolio** seeks to provide very conservative capital appreciation and current income. The fund holds 10% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 90% in bonds, allocated among domestic bonds, international bonds, and short-term investments. Investors with a short-term time horizon who are looking for very conservative growth of principal over time and who can accept limited stock market volatility may wish to consider this Portfolio.

**State of Illinois
Office of the Treasurer**

**National ABLI Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019)
(Unaudited)**

**Exhibit B
Underlying Investment Products**

Underlying Investment Product	Asset Class	Benchmark
Vanguard Institutional Index Fund	U.S. Large Cap	S & P 500 Index
Vanguard Extended Market Index Fund	U.S. Small & Mid Cap	S & P Completion
iShares Core MSCI EAFE ETF	Non-U.S. Multi Cap	MSCI EAFE
Schwab Emerging Markets Equity ETF	Emerging Markets	MSCI Emerging Markets
Schwab U.S. REIT ETF	Real Estate	Dow Jones U.S. Select Real Estate Index
Vanguard Total Bond Market Index Fund	U.S. Core Bond	Bloomberg Barclays U.S. Aggregate Bond
Vanguard Short-Term Bond Index Fund	Short-Term Investment Grade	Bloomberg Barclays U.S. Gov't/Credit 1-5yr
Vanguard Short-Term Inflation Protected Securities Index	Short-Term Inflation Protected Bond	Bloomberg Barclays US Treasury TIPS 0-5 Yrs.
iShares Core International Aggregate Bond ETF	International Bond	Bloomberg Barclays Global Aggregate Bond ex-US
Sallie Mae High-Yield FDIC	Cash & Cash Equivalents	3-month T-Bills

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

1.0 STATEMENT OF PURPOSE OF INVESTMENT POLICY

The purpose of this Investment Policy Statement (the “Policy”) is to assist contractors retained by the Achieving a Better Life Experience Program Alliance (the “Consortium”) to provide services related to the management of the assets of the Illinois Achieving a Better Life Experience (“ABLE”) pool that are contributed to the Illinois Achieving a Better Life Experience program (the “Program”) and to assist the Consortium in evaluating the performance of such contractors by:

- Describing the Consortium’s investment objectives;
- Providing general guidelines for the investment of assets of the Program;
- Describing the Consortium’s long-term investment strategy;
- Describing the process of evaluating the performance of employees or contractors that provide investment management services to the Program; and
- Specifying the responsibilities of any contractors that provide investment management services to the Program.

This is the official Policy of the Program. Deviation from this Policy is not permitted without prior, explicit, written permission from the Consortium.

2.0 ESTABLISHMENT AND AUTHORITY OF ENTITY

The Illinois Achieving a Better Life Experience program has been established as part of Illinois’ State Treasurer Act, 15 ILCS 505 (“Act”). The Act creates ABLE account program to encourage and assist individuals and families in saving private funds for the purpose of supporting persons with disabilities in endeavors to maintain health, independence, and quality of life, and to provide secure funding for disability-related expenses on behalf of designated beneficiaries with disabilities that will supplement, but not supplant, benefits provided through private insurance, federal and State medical and disability insurance, the beneficiary’s employment, and other sources.

3.0 INVESTMENT PHILOSOPHY

The Illinois State Treasurer’s Office, as a member of the Consortium, has adopted a long-term total return strategy for the Program and its investments. In order to achieve the Program’s objectives, investments shall be diversified so as to minimize the risk of loss. While some asset classes may experience short-term and intermediate-term volatility, their long-term return assumptions justify their inclusion. A long-term focus on investment results as well as prudent diversification across public security markets will be the primary risk control mechanisms.

In its investment strategy, the Consortium has relied on prevailing financial theory, which currently utilizes a long-term diversified asset allocation strategy. A prudently allocated investment program possesses a significant level of diversification, which produces risk reduction. In terms of impact, diversification shall be considered along the following lines: (1) asset classes (stocks, bonds, cash, etc.); (2) geography/country; (3) industry; and (4) maturity.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

Contributions to the Program will be directed to one or more of the available Target Portfolios (“Portfolios”), each composed of a designated mix of investments funds. The determination of the investment parameters of each Portfolio shall be made by the Consortium and shall take into account the financial characteristics of the investments in the Program. The investment parameters will also give due consideration to the fact that the investment horizon for participants will vary from a few months to over 25 years.

The Illinois State Treasurer’s Office will review the investment performance of each Portfolio at least quarterly and shall review this Policy at least annually.

The holdings of the Program and the Portfolios are divided into the following broad asset categories:

- Short-Term Investments
- Domestic Fixed Income Investments
- International Fixed Income Investments
- Domestic Equity Investments
- International Equity Investments
- Real Estate Investments

The Consortium will establish reasonable guidelines for each Portfolio, specifying (as applicable) limits on asset and asset class exposures, risk constraints and investment return objectives. While the investment parameters offered under the Program are developed by the Consortium, participants bear the risk of investment results.

The administration and offering of the Program should not be relied upon as a guarantee to participants. Each participant should seek appropriate advice as he or she deems necessary.

Consistent with achieving the foremost investment objectives of the Treasurer set forth herein, the Treasurer and its agents shall prudently integrate sustainability factors into its investment decision-making, investment manager selection, investment analysis, portfolio construction, risk management, and due diligence. The sustainability analysis adds an additional layer of rigor to the fundamental analytical approach and helps assess the reliability of future cash flows and debt repayments. Sustainability accounting has both confirmatory and predictive value, thus, it can be used to evaluate past performance and be used for future planning and decision-making. As a complement to financial accounting, it provides a more complete view of an investment fund or portfolio company’s performance on material factors likely to impact its long-term value. Sustainability factors shall be implemented within a framework predicated on the following:

- A. Prudent integration of material sustainability factors, including, but not limited to environmental, social capital, human capital, business model and innovation, and leadership and governance factors, as components of portfolio construction, investment decision-making, investment analysis and due diligence, prospective value proposition, risk management, and investment ownership given that these tangible and intangible factors may have a material and substantive financial impacts as well as non-financial impacts;

**State of Illinois
Office of the Treasurer**

**National ABLÉ Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

- B. Recurring evaluation of sustainability factors to ensure the factors are relevant to the Program and the evolving marketplace; and
- C. Attentive oversight of investment holdings to encourage the advancement of sustainability accounting and disclosure through engagement with entities, such as investment funds, investment holdings, portfolio companies, government bodies, and other organizations, and move the marketplace toward more prudent sustainability investment practices.

Consideration of other relevant factors such as market, operational, legal, regulatory, financial, credit, and reputational risks that enable an optimal risk management framework and supports long-term investment value.

4.0 INVESTMENT OBJECTIVES

The overall investment program for the Program and, as applicable, the Portfolios provided to the participants shall seek to achieve the following long-term investment objectives:

- A long-term competitive rate of return on investments that is equal to or exceeds a return of the applicable benchmarks shown in Section 7.0 hereof; and
- An investment program flexible enough to meet the needs of participants based upon their age or investment objective and which provides each individual with the ability to invest in a diversified portfolio to meet his or her long-term investment goals.

5.0 INVESTMENT RESPONSIBILITIES

The Consortium is responsible for the direction of investments and administration of the assets of the Program. In order to properly carry out his responsibilities, the Consortium may rely on one or more contractors to assist in the administration of the Program. The Consortium will engage and plan to rely heavily on said contractor (the "Manager") for administrative services and investment management services. Among the current responsibilities of the Manager is the implementation of the investment strategy outlined in this Policy and the rebalancing of the Target Portfolios when market movement and/or cash flows cause an asset class to be outside its policy allocation bands. With the Consortium's approval, the Manager may retain an investment advisor to provide it with portfolio design, due diligence and ongoing monitoring services with respect to the Portfolios and the implementation of the investment strategy outlined in this policy. The Consortium and the Manager shall meet quarterly to review portfolio performance as compared to the applicable benchmarks and peer group performance.

In managing the investments of the Program and the Portfolios, the Manager agrees that it will act with the skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like objectives.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

The Program will rely on external investment consultants for investment and administrative advisory services. The independent investment consultant will:

- Measure investment performance results, evaluate the investment program, and advise the Consortium as to the performance and continuing appropriateness of each investment manager;
- Recommend modifications to the investment policies, objectives, guidelines, or management structure as appropriate; and
- Promptly inform the Consortium regarding significant matters pertaining to the investment program.

5.1 Treasurer's Investment Policy Committee

The Treasurer's Office maintains an Investment Policy Committee that is chaired by the Treasurer and includes the following members of the Treasurer's staff: Deputy Treasurer & Chief Investment Officer, Chief of Staff, Chief Financial Products Officer, Chief Legislative and Policy Officer, General Counsel, Director of State Investments and Banking, Director of Investment Analysis and Due Diligence, Director of Fiscal Operations, Director of IPTIP Investments, Director of ePAY and The Illinois Funds, the Portfolio Investments & Cash Management Officer, and anyone else deemed appropriate by the Treasurer. The Investment Policy Committee will perform oversight and advisory duties on behalf of the Treasurer's Office to support the Program, including, but not limited to:

- Monitoring and providing insight into the construction and overall strategy of the investment portfolio;
- Reviewing and providing insight into the investment policies, objectives, parameters, responsibilities, benchmarks, or management structure as appropriate;
- Monitoring investment performance results and associated costs/fees on a quarterly basis;
- Providing guidance and feedback regarding the suitability of prospective investment funds that are recommended for receipt of Program monies;
- Monitoring and evaluating the performance and continuing appropriateness of each fund manager;
- Assisting in the evaluation of the Manager, external investment consultants, and any other external parties hired to service the Program; and
- Providing general commentary, perspective, and insights regarding market conditions that may impact the Program.

5.2 Preference for Investment Managers Owned by Minorities, Women, Veterans, and Persons with Disabilities

Pursuant to 15 ILCS 505/30, it shall be an aspirational goal of the Treasurer and its agents to use businesses owned by or under the control of qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability for not less than 25% of the total dollar amount of funds under management in the Program.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

The terms "minority person", "woman", "person with a disability", "minority-owned business", "women-owned business", "business owned by a person with a disability", and "control" have the meanings provided in Section 1 of the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575). The terms "veteran", "qualified veteran- owned small business", "qualified service-disabled veteran-owned small business", "qualified service-disabled veteran", and "armed forces of the United States" have the meanings provided in Article 1 of the Illinois Procurement Code (30 ILCS 500).

To the greatest extent feasible within the bounds of financial and fiduciary prudence, it shall be the policy of the Treasurer and its agents to remove any barriers to the full participation in investment management services afforded via the Program by actively identifying and considering for hire investment managers that are owned by or under the control of qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability.

6.0 RISK MANAGEMENT

The Illinois State Treasurer's Office shall develop internal processes and procedures to ensure that effective risk management systems are in place to monitor the risk levels of the Program. The processes shall ensure that the risks taken are prudent and properly managed, provide an integrated process for overall risk management, and assess investment returns as well as risk to determine if the risks taken are adequately compensated compared to applicable performance benchmarks and standards. The Illinois State Treasurer's Office and the Manager shall meet quarterly to review Portfolio and underlying fund performance as compared to the applicable benchmarks and peer group performance and will review the asset allocation of each Portfolio on an annual basis.

7.0 INVESTMENT PARAMETERS

Contributions will be invested in one or more of the available Portfolios, each composed of a designated mix of investments which is appropriate for the investment preference of the participant or the investment objective of the Portfolio. Each Portfolio may allocate assets among domestic equity, international equity, real estate, domestic and international fixed- income, and/or cash and cash equivalents. The asset allocation of each Portfolio will be established by the Consortium and managed by the Manager. The Consortium may adjust the weighting in stocks, bonds, real estate, and cash in each Portfolio and may change the underlying investment funds within the Portfolios consistent with this Policy.

The policy target asset allocations and benchmarks for the underlying investments within the Target Portfolios are shown in the following table. There is a permissible range of plus or minus 5% of the target allocation for each underlying investment fund. Please refer to Exhibit A for Target Portfolio Objectives and refer to Exhibit B for a list of underlying investment products and their corresponding benchmarks.

**State of Illinois
Office of the Treasurer**

**National ABLÉ Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

Target Portfolios		#1	#2	#3	#4	#5	#6
Asset Class	Benchmark	Aggressive	Moderately Aggressive	Growth	Moderate	Moderately Conservative	Conservative
Domestic Equity	S & P 500 Index	31.50%	26.25%	21.00%	15.75%	10.50%	3.50%
	S & P Completion	27.00%	22.50%	18.00%	13.50%	9.00%	3.00%
Real Estate	Dow Jones U.S. Select Real Estate Index	9.00%	7.50%	6.00%	4.50%	3.00%	1.00%
International Equity	MSCI EAFE	16.20%	13.50%	10.80%	8.10%	5.40%	1.80%
	MSCI Emerging Markets	6.30%	5.25%	4.20%	3.15%	2.10%	0.70%
Domestic Fixed Income	Bloomberg Barclays US Treasury TIPS 0-5 Yrs.	3.50%	8.75%	14.00%	19.25%	15.75%	10.50%
	Bloomberg Barclays U.S. Aggregate Bond	3.00%	7.50%	12.00%	16.50%	13.50%	9.00%
	Bloomberg Barclays U.S. Gov't/Credit 1-5yr	2.50%	6.25%	10.00%	13.75%	11.25%	7.50%
Foreign Bonds	Bloomberg Barclays Global Aggregate Bond ex- US	1.00%	2.50%	4.00%	5.50%	4.50%	3.00%
Money Market	3-month T-Bills	0.00%	0.00%	0.0%	0.00%	25.00%	60.00%

Each underlying investment fund's return objective is to equal or exceed, over a five-year rolling period, the return of the applicable benchmark net of fees. Volatility, measured by the standard deviation of quarterly returns over that period, is expected to be similar to the benchmark. Each underlying investment fund is also expected to perform favorably relative to its peer group.

To the extent that the assets of a Portfolio are invested in one or more underlying investment funds approved by the Consortium having investment objectives consistent with the above-noted asset allocation categories, the above-noted percentage guidelines shall be deemed satisfied. This shall be the case even if such underlying investment fund's underlying assets may not be entirely invested in the asset class in which such underlying investment fund has been placed.

**State of Illinois
Office of the Treasurer**

**National ABLI Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

8.0 BANKING OPTION

The Program has included the option for participants for a short-term investment vehicle in the form of a Demand Deposit Account (the "Banking Option"). The Banking Option will be an FDIC-Insured bank account whose primary objective is the preservation and safety of the principal and the provision of a stable and low-risk rate of return. This option allows the participants the ability to execute recurring transactions with greater ease. The provider for the Banking Option will be Fifth Third Bank (the "Banking Option Provider").

The Banking Option Provider will provide monthly account statements following any month in which an account using the Account utilizing the Banking Option had financial activity. All account statements shall be sent to the respective Account Owner and any authorized agents and may be sent via /or Authorized Agents by U.S. postal mail and/or provided via website access electronic delivery, as selected specified by the Account Owner.

**State of Illinois
Office of the Treasurer**

**National ABLÉ Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

**Exhibit A
Target Portfolio Objectives**

The **Aggressive Target Portfolio** seeks to provide very aggressive capital appreciation and some current income. The fund holds 90% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 10% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for the most aggressive growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderately Aggressive Target Portfolio** seeks to provide aggressive capital appreciation and some current income. The fund holds 75% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 25% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for aggressive growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Growth Target Portfolio** seeks to provide capital appreciation and some current income. The fund holds 60% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 40% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderate Target Portfolio** seeks to provide moderate capital appreciation and current income. The fund holds 45% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 55% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderately Conservative Target Portfolio** seeks to provide conservative capital appreciation and current income. The fund holds 30% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 70% in bonds, allocated among domestic bonds, international bonds, and short-term investments. Investors with a medium-term time horizon who are looking for conservative growth of principal over time and who can accept some stock market volatility may wish to consider this Portfolio.

The **Conservative Target Portfolio** seeks to provide very conservative capital appreciation and current income. The fund holds 10% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 90% in bonds, allocated among domestic bonds, international bonds, and short-term investments. Investors with a short-term time horizon who are looking for very conservative growth of principal over time and who can accept limited stock market volatility may wish to consider this Portfolio.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

**Exhibit B
Underlying Investment Products**

Underlying Investment Product	Asset Class	Benchmark
Vanguard Institutional Index Fund	U.S. Large Cap	S & P 500 Index
Vanguard Extended Market Index Fund	U.S. Small & Mid Cap	S & P Completion
iShares Core MSCI EAFE ETF	Non-U.S. Multi Cap	MSCI EAFE
Schwab Emerging Markets Equity ETF	Emerging Markets	MSCI Emerging Markets
Schwab U.S. REIT ETF	Real Estate	Dow Jones U.S. Select Real Estate Index
Vanguard Total Bond Market Index Fund	U.S. Core Bond	Bloomberg Barclays U.S. Aggregate Bond
Vanguard Short-Term Bond Index Fund	Short-Term Investment Grade	Bloomberg Barclays U.S. Gov't/Credit 1-5yr
Vanguard Short-Term Inflation Protected Securities Index	Short-Term Inflation Protected Bond	Bloomberg Barclays US Treasury TIPS 0-5 Yrs.
iShares Core International Aggregate Bond ETF	International Bond	Bloomberg Barclays Global Aggregate Bond ex-US
Sallie Mae High-Yield FDIC	Cash & Cash Equivalents	3-month T-Bills

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)**

**State of Illinois
Office of the Treasurer**

**National ABLI Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)**

1.0 STATEMENT OF PURPOSE OF INVESTMENT POLICY

The purpose of this Investment Policy Statement (the “Policy”) is to assist contractors retained by the Achieving a Better Life Experience Program Alliance (the “Consortium”) to provide services related to the management of the assets of the Illinois Achieving a Better Life Experience (“ABLE”) pool that are contributed to the Illinois Achieving a Better Life Experience program (the “Program”) and to assist the Consortium in evaluating the performance of such contractors by:

- Describing the Consortium’s investment objectives;
- Providing general guidelines for the investment of assets of the Program;
- Describing the Consortium’s long-term investment strategy;
- Describing the process of evaluating the performance of employees or contractors that provide investment management services to the Program; and
- Specifying the responsibilities of any contractors that provide investment management services to the Program.

This is the official Policy of the Program. Deviation from this Policy is not permitted without prior, explicit, written permission from the Consortium.

2.0 ESTABLISHMENT AND AUTHORITY OF ENTITY

The Illinois Achieving a Better Life Experience program has been established as part of Illinois’ State Treasurer Act, 15 ILCS 505 (“Act”). The Act creates ABLE account program to encourage and assist individuals and families in saving private funds for the purpose of supporting persons with disabilities in endeavors to maintain health, independence, and quality of life, and to provide secure funding for disability-related expenses on behalf of designated beneficiaries with disabilities that will supplement, but not supplant, benefits provided through private insurance, federal and State medical and disability insurance, the beneficiary’s employment, and other sources.

3.0 INVESTMENT PHILOSOPHY

The Illinois State Treasurer’s Office, as a member of the Consortium, has adopted a long-term total return strategy for the Program and its investments. In order to achieve the Program’s objectives, investments shall be diversified so as to minimize the risk of loss. While some asset classes may experience short-term and intermediate-term volatility, their long-term return assumptions justify their inclusion. A long-term focus on investment results as well as prudent diversification across public security markets will be the primary risk control mechanisms.

In its investment strategy, the Consortium has relied on prevailing financial theory, which currently utilizes a long-term diversified asset allocation strategy. A prudently allocated investment program possesses a significant level of diversification, which produces risk reduction. In terms of impact, diversification shall be considered along the following lines: (1) asset classes (stocks, bonds, cash, etc.); (2) geography/country; (3) industry; and (4) maturity.

**State of Illinois
Office of the Treasurer**

**National ABLI Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)**

Contributions to the Program will be directed to one or more of the available Target Portfolios (“Portfolios”), each composed of a designated mix of investments funds. The determination of the investment parameters of each Portfolio shall be made by the Consortium and shall take into account the financial characteristics of the investments in the Program. The investment parameters will also give due consideration to the fact that the investment horizon for participants will vary from a few months to over 25 years.

The Illinois State Treasurer’s Office will review the investment performance of each Portfolio at least quarterly and shall review this Policy at least annually.

The holdings of the Program and the Portfolios are divided into the following broad asset categories:

- Short-Term Investments
- Domestic Fixed Income Investments
- International Fixed Income Investments
- Domestic Equity Investments
- International Equity Investments
- Real Estate Investments

The Consortium will establish reasonable guidelines for each Portfolio, specifying (as applicable) limits on asset and asset class exposures, risk constraints and investment return objectives. While the investment parameters offered under the Program are developed by the Consortium, participants bear the risk of investment results.

The administration and offering of the Program should not be relied upon as a guarantee to participants. Each participant should seek appropriate advice as he or she deems necessary.

Consistent with achieving the foremost investment objectives of the Treasurer set forth herein, the Treasurer will prudently exercise investment stewardship to fulfill its fiduciary duty, increase expected financial returns, minimize projected risk, and contribute to a more just, accountable and sustainable State of Illinois. Sustainability factors shall be implemented within a framework predicated on the following:

- A. Prudent integration of material sustainability factors, including, but not limited to environmental, social capital, human capital, business model and innovation, and leadership and governance factors, as components of portfolio construction, investment decision-making, investment analysis and due diligence, prospective value proposition, risk management, and investment ownership given that these tangible and intangible factors may have a material and substantive financial impacts as well as non-financial impacts;
- B. Recurring evaluation of sustainability factors to ensure the factors are relevant to the Program and the evolving marketplace; and

**State of Illinois
Office of the Treasurer**

**National ABLI Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)**

- C. Attentive oversight of investment holdings to encourage the advancement of sustainability accounting and disclosure through engagement with entities, such as investment funds, investment holdings, portfolio companies, government bodies, and other organizations, and move the marketplace toward more prudent sustainability investment practices.

Consideration of other relevant factors such as legal, regulatory, and reputational risks that enable an optimal risk management framework and supports long-term investment value.

4.0 INVESTMENT OBJECTIVES

The overall investment program for the Program and, as applicable, the Portfolios provided to the participants shall seek to achieve the following long-term investment objectives:

- A long-term competitive rate of return on investments that is equal to or exceeds a return of the applicable benchmarks shown in Section 7.0 hereof; and
- An investment program flexible enough to meet the needs of participants based upon their age or investment objective and which provides each individual with the ability to invest in a diversified portfolio to meet his or her long-term investment goals.

5.0 INVESTMENT RESPONSIBILITIES

The Consortium is responsible for the direction of investments and administration of the assets of the Program. In order to properly carry out his responsibilities, the Consortium may rely on one or more contractors to assist in the administration of the Program. The Consortium will engage and plan to rely heavily on said contractor (the "Manager") for administrative services and investment management services. Among the current responsibilities of the Manager is the implementation of the investment strategy outlined in this Policy and the rebalancing of the Target Portfolios when market movement and/or cash flows cause an asset class to be outside its policy allocation bands. With the Consortium's approval, the Manager may retain an investment advisor to provide it with portfolio design, due diligence and ongoing monitoring services with respect to the Portfolios and the implementation of the investment strategy outlined in this policy. The Consortium and the Manager shall meet quarterly to review portfolio performance as compared to the applicable benchmarks and peer group performance.

In managing the investments of the Program and the Portfolios, the Manager agrees that it will act with the skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like objectives.

The Program will rely on external investment consultants for investment and administrative advisory services. The independent investment consultant will:

- Measure investment performance results, evaluate the investment program, and advise the Consortium as to the performance and continuing appropriateness of each investment manager;
- Recommend modifications to the investment policies, objectives, guidelines, or management structure as appropriate; and
- Promptly inform the Consortium regarding significant matters pertaining to the investment program.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)**

6.0 RISK MANAGEMENT

The Illinois State Treasurer's Office shall develop internal processes and procedures to ensure that effective risk management systems are in place to monitor the risk levels of the Program. The processes shall ensure that the risks taken are prudent and properly managed, provide an integrated process for overall risk management, and assess investment returns as well as risk to determine if the risks taken are adequately compensated compared to applicable performance benchmarks and standards. The Illinois State Treasurer's Office and the Manager shall meet quarterly to review Portfolio and underlying fund performance as compared to the applicable benchmarks and peer group performance and will review the asset allocation of each Portfolio on an annual basis.

7.0 INVESTMENT PARAMETERS

Contributions will be invested in one or more of the available Portfolios, each composed of a designated mix of investments which is appropriate for the investment preference of the participant or the investment objective of the Portfolio. Each Portfolio may allocate assets among domestic equity, international equity, real estate, domestic and international fixed-income, and/or cash and cash equivalents. The asset allocation of each Portfolio will be established by the Consortium and managed by the Manager. The Consortium may adjust the weighting in stocks, bonds, real estate, and cash in each Portfolio and may change the underlying investment funds within the Portfolios consistent with this Policy.

The policy target asset allocations and benchmarks for the underlying investments within the Target Portfolios are shown in the following table. There is a permissible range of plus or minus 5% of the target allocation for each underlying investment fund. Please refer to Exhibit A for Target Portfolio Objectives and refer to Exhibit B for a list of underlying investment products and their corresponding benchmarks.

**State of Illinois
Office of the Treasurer**

**National ABLI Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)**

Target Portfolios		#1	#2	#3	#4	#5	#6
Asset Class	Benchmark	Aggressive	Moderately Aggressive	Growth	Moderate	Moderately Conservative	Conservative
Domestic Equity	S & P 500 Index	31.50%	26.25%	21.00%	15.75%	10.50%	3.50%
	S & P Completion	27.00%	22.50%	18.00%	13.50%	9.00%	3.00%
Real Estate	Dow Jones U.S. Select Real Estate Index	9.00%	7.50%	6.00%	4.50%	3.00%	1.00%
International Equity	MSCI EAFE	16.20%	13.50%	10.80%	8.10%	5.40%	1.80%
	MSCI Emerging Markets	6.30%	5.25%	4.20%	3.15%	2.10%	0.70%
Domestic Fixed Income	Bloomberg Barclays US Treasury TIPS 0-5 Yrs.	3.50%	8.75%	14.00%	19.25%	15.75%	10.50%
	Bloomberg Barclays U.S. Aggregate Bond	3.00%	7.50%	12.00%	16.50%	13.50%	9.00%
	Bloomberg Barclays U.S. Gov't/Credit 1-5yr	2.50%	6.25%	10.00%	13.75%	11.25%	7.50%
Foreign Bonds	Bloomberg Barclays Global Aggregate Bond ex- US	1.00%	2.50%	4.00%	5.50%	4.50%	3.00%
Money Market	3-month T-Bills	0.00%	0.00%	0.0%	0.00%	25.00%	60.00%

Each underlying investment fund's return objective is to equal or exceed, over a five-year rolling period, the return of the applicable benchmark net of fees. Volatility, measured by the standard deviation of quarterly returns over that period, is expected to be similar to the benchmark. Each underlying investment fund is also expected to perform favorably relative to its peer group.

To the extent that the assets of a Portfolio are invested in one or more underlying investment funds approved by the Consortium having investment objectives consistent with the above-noted asset allocation categories, the above-noted percentage guidelines shall be deemed satisfied. This shall be the case even if such underlying investment fund's underlying assets may not be entirely invested in the asset class in which such underlying investment fund has been placed.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)**

8.0 BANKING OPTION

The Program has included the option for participants for a short-term investment vehicle in the form of a Demand Deposit Account (the "Banking Option"). The Banking Option will be an FDIC-Insured bank account whose primary objective is the preservation and safety of the principal and the provision of a stable and low-risk rate of return. This option allows the participants the ability to execute recurring transactions with greater ease. The provider for the Banking Option will be Fifth Third Bank (the "Banking Option Provider").

The Banking Option Provider will provide monthly account statements following any month in which an account using the Account utilizing the Banking Option had financial activity. All account statements shall be sent to the respective Account Owner and any authorized agents and may be sent via /or Authorized Agents by U.S. postal mail and/or provided via website access electronic delivery, as selected specified by the Account Owner.

State of Illinois
Office of the Treasurer

National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)

Exhibit A
Target Portfolio Objectives

The **Aggressive Target Portfolio** seeks to provide very aggressive capital appreciation and some current income. The fund holds 90% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 10% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for the most aggressive growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderately Aggressive Target Portfolio** seeks to provide aggressive capital appreciation and some current income. The fund holds 75% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 25% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for aggressive growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Growth Target Portfolio** seeks to provide capital appreciation and some current income. The fund holds 60% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 40% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderate Target Portfolio** seeks to provide moderate capital appreciation and current income. The fund holds 45% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 55% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderately Conservative Target Portfolio** seeks to provide conservative capital appreciation and current income. The fund holds 30% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 70% in bonds, allocated among domestic bonds, international bonds, and short-term investments. Investors with a medium-term time horizon who are looking for conservative growth of principal over time and who can accept some stock market volatility may wish to consider this Portfolio.

The **Conservative Target Portfolio** seeks to provide very conservative capital appreciation and current income. The fund holds 10% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 90% in bonds, allocated among domestic bonds, international bonds, and short-term investments. Investors with a short-term time horizon who are looking for very conservative growth of principal over time and who can accept limited stock market volatility may wish to consider this Portfolio.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)**

**Exhibit B
Underlying Investment Products**

Underlying Investment Product	Asset Class	Benchmark
Vanguard Institutional Index Fund	U.S. Large Cap	S & P 500 Index
Vanguard Extended Market Index Fund	U.S. Small & Mid Cap	S & P Completion
iShares Core MSCI EAFE ETF	Non-U.S. Multi Cap	MSCI EAFE
Schwab Emerging Markets Equity ETF	Emerging Markets	MSCI Emerging Markets
Schwab U.S. REIT ETF	Real Estate	Dow Jones U.S. Select Real Estate Index
Vanguard Total Bond Market Index Fund	U.S. Core Bond	Bloomberg Barclays U.S. Aggregate Bond
Vanguard Short-Term Bond Index Fund	Short-Term Investment Grade	Bloomberg Barclays U.S. Gov't/Credit 1-5yr
Vanguard Short-Term Inflation Protected Securities Index	Short-Term Inflation Protected Bond	Bloomberg Barclays US Treasury TIPS 0-5 Yrs.
iShares Core International Aggregate Bond ETF	International Bond	Bloomberg Barclays Global Aggregate Bond ex-US
Sallie Mae High-Yield FDIC	Cash & Cash Equivalents	3-month T-Bills

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective November 2017 through May 2018)
(Unaudited)**

**State of Illinois
Office of the Treasurer**

**National ABLI Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective November 2017 through May 2018)
(Unaudited)**

1.0 STATEMENT OF PURPOSE OF INVESTMENT POLICY

The purpose of this Investment Policy Statement (the “Policy”) is to assist contractors retained by the Achieving a Better Life Experience Program Alliance (the “Consortium”) to provide services related to the management of the assets of the Illinois Achieving a Better Life Experience (“ABLE”) pool that are contributed to the Illinois Achieving a Better Life Experience program (the “Program”) and to assist the Consortium in evaluating the performance of such contractors by:

- Describing the Consortium’s investment objectives;
- Providing general guidelines for the investment of assets of the Program;
- Describing the Consortium’s long-term investment strategy;
- Describing the process of evaluating the performance of employees or contractors that provide investment management services to the Program; and
- Specifying the responsibilities of any contractors that provide investment management services to the Program.

This is the official Policy of the Program. Deviation from this Policy is not permitted without prior, explicit, written permission from the Consortium.

2.0 ESTABLISHMENT AND AUTHORITY OF ENTITY

The Illinois Achieving a Better Life Experience program has been established as part of Illinois’ State Treasurer Act, 15 ILCS 505 (“Act”). The Act creates ABLE account program to encourage and assist individuals and families in saving private funds for the purpose of supporting persons with disabilities in endeavors to maintain health, independence, and quality of life, and to provide secure funding for disability-related expenses on behalf of designated beneficiaries with disabilities that will supplement, but not supplant, benefits provided through private insurance, federal and State medical and disability insurance, the beneficiary’s employment, and other sources.

3.0 INVESTMENT PHILOSOPHY

The Illinois State Treasurer’s Office, as a member of the Consortium, has adopted a long-term total return strategy for the Program and its investments. In order to achieve the Program’s objectives, investments shall be diversified so as to minimize the risk of loss. While some asset classes may experience short-term and intermediate-term volatility, their long-term return assumptions justify their inclusion. A long-term focus on investment results as well as prudent diversification across public security markets will be the primary risk control mechanisms.

In its investment strategy, the Consortium has relied on prevailing financial theory, which currently utilizes a long-term diversified asset allocation strategy. A prudently allocated investment program possesses a significant level of diversification, which produces risk reduction. In terms of impact, diversification shall be considered along the following lines: (1) asset classes (stocks, bonds, cash, etc.); (2) geography/country; (3) industry; and (4) maturity.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective November 2017 through May 2018)
(Unaudited)**

Contributions to the Program will be directed to one or more of the available Target Portfolios (“Portfolios”), each composed of a designated mix of investments funds. The determination of the investment parameters of each Portfolio shall be made by the Consortium and shall take into account the financial characteristics of the investments in the Program. The investment parameters will also give due consideration to the fact that the investment horizon for participants will vary from a few months to over 25 years.

The Illinois State Treasurer’s Office will review the investment performance of each Portfolio at least quarterly and shall review this Policy at least annually.

The holdings of the Program and the Portfolios are divided into the following broad asset categories:

- Short-Term Investments
- Domestic Fixed Income Investments
- International Fixed Income Investments
- Domestic Equity Investments
- International Equity Investments
- Real Estate Investments

The Consortium will establish reasonable guidelines for each Portfolio, specifying (as applicable) limits on asset and asset class exposures, risk constraints and investment return objectives. While the investment parameters offered under the Program are developed by the Consortium, participants bear the risk of investment results.

The administration and offering of the Program should not be relied upon as a guarantee to participants. Each participant should seek appropriate advice as he or she deems necessary.

Consistent with achieving the foremost investment objectives of the Consortium set forth herein, the Consortium’s Office will prudently exercise ethical and social stewardship in its investment decision-making as the Consortium aspires to contribute to a more just, accountable and sustainable environment. As such, the Consortium shall endeavor to:

- A. Integrate environmental, social and governance (ESG) factors as components of investment decision-making, due diligence and risk management; and
- B. Take into account corporate governance practices, environmental or social impact, and regulatory and reputational risks associated with investment options.

**State of Illinois
Office of the Treasurer**

**National ABLÉ Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective November 2017 through May 2018)
(Unaudited)**

4.0 INVESTMENT OBJECTIVES

The overall investment program for the Program and, as applicable, the Portfolios provided to the participants shall seek to achieve the following long-term investment objectives:

- A long-term competitive rate of return on investments that is equal to or exceeds a return of the applicable benchmarks shown in Section 7.0 hereof; and
- An investment program flexible enough to meet the needs of participants based upon their age or investment objective and which provides each individual with the ability to invest in a diversified portfolio to meet his or her long-term investment goals.

5.0 INVESTMENT RESPONSIBILITIES

The Consortium is responsible for the direction of investments and administration of the assets of the Program. In order to properly carry out his responsibilities, the Consortium may rely on one or more contractors to assist in the administration of the Program. The Consortium will engage and plan to rely heavily on said contractor (the “Manager”) for administrative services and investment management services. Among the current responsibilities of the Manager is the implementation of the investment strategy outlined in this Policy and the rebalancing of the Target Portfolios when market movement and/or cash flows cause an asset class to be outside its policy allocation bands. With the Consortium’s approval, the Manager may retain an investment advisor to provide it with portfolio design, due diligence and ongoing monitoring services with respect to the Portfolios and the implementation of the investment strategy outlined in this policy. The Consortium and the Manager shall meet quarterly to review portfolio performance as compared to the applicable benchmarks and peer group performance.

In managing the investments of the Program and the Portfolios, the Manager agrees that it will act with the skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like objectives.

The Program will rely on external investment consultants for investment and administrative advisory services. The independent investment consultant will:

- Measure investment performance results, evaluate the investment program, and advise the Consortium as to the performance and continuing appropriateness of each investment manager;
- Recommend modifications to the investment policies, objectives, guidelines, or management structure as appropriate; and
- Promptly inform the Consortium regarding significant matters pertaining to the investment program.

6.0 RISK MANAGEMENT

The Illinois State Treasurer’s Office shall develop internal processes and procedures to ensure that effective risk management systems are in place to monitor the risk levels of the Program. The processes shall ensure that the risks taken are prudent and properly managed, provide an integrated process for overall risk management, and assess investment returns as well as risk to determine if the risks taken are adequately

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective November 2017 through May 2018)
(Unaudited)**

compensated compared to applicable performance benchmarks and standards. The Illinois State Treasurer's Office and the Manager shall meet quarterly to review Portfolio and underlying fund performance as compared to the applicable benchmarks and peer group performance and will review the asset allocation of each Portfolio on an annual basis.

7.0 INVESTMENT PARAMETERS

Contributions will be invested in one or more of the available Portfolios, each composed of a designated mix of investments which is appropriate for the investment preference of the participant or the investment objective of the Portfolio. Each Portfolio may allocate assets among domestic equity, international equity, real estate, domestic and international fixed-income, and/or cash and cash equivalents. The asset allocation of each Portfolio will be established by the Consortium and managed by the Manager. The Consortium may adjust the weighting in stocks, bonds, real estate, and cash in each Portfolio and may change the underlying investment funds within the Portfolios consistent with this Policy.

The policy target asset allocations and benchmarks for the underlying investments within the Target Portfolios are shown in the following table. There is a permissible range of plus or minus 5% of the target allocation for each underlying investment fund. Please refer to Exhibit A for Target Portfolio Objectives and refer to Exhibit B for a list of underlying investment products and their corresponding benchmarks.

**State of Illinois
Office of the Treasurer**

**National ABLI Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective November 2017 through May 2018)
(Unaudited)**

Target Portfolios		#1	#2	#3	#4	#5	#6
Asset Class	Benchmark	Aggressive	Moderately Aggressive	Growth	Moderate	Moderately Conservative	Conservative
Domestic Equity	S & P 500 Index	31.50%	26.25%	21.00%	15.75%	10.50%	3.50%
	S & P Completion	27.00%	22.50%	18.00%	13.50%	9.00%	3.00%
Real Estate	Dow Jones U.S. Select Real Estate Index	9.00%	7.50%	6.00%	4.50%	3.00%	1.00%
International Equity	MSCI EAFE	16.20%	13.50%	10.80%	8.10%	5.40%	1.80%
	MSCI Emerging Markets	6.30%	5.25%	4.20%	3.15%	2.10%	0.70%
Domestic Fixed Income	Bloomberg Barclays US Treasury TIPS 0-5 Yrs.	3.50%	8.75%	14.00%	19.25%	15.75%	10.50%
	Bloomberg Barclays U.S. Aggregate Bond	3.00%	7.50%	12.00%	16.50%	13.50%	9.00%
	Bloomberg Barclays U.S. Gov't/Credit 1-5yr	2.50%	6.25%	10.00%	13.75%	11.25%	7.50%
Foreign Bonds	Bloomberg Barclays Global Aggregate Bond ex- US	1.00%	2.50%	4.00%	5.50%	4.50%	3.00%
Money Market	3-month T-Bills	0.00%	0.00%	0.0%	0.00%	25.00%	60.00%

Each underlying investment fund's return objective is to equal or exceed, over a five-year rolling period, the return of the applicable benchmark net of fees. Volatility, measured by the standard deviation of quarterly returns over that period, is expected to be similar to the benchmark. Each underlying investment fund is also expected to perform favorably relative to its peer group.

To the extent that the assets of a Portfolio are invested in one or more underlying investment funds approved by the Consortium having investment objectives consistent with the above-noted asset allocation categories, the above-noted percentage guidelines shall be deemed satisfied. This shall be the case even if such underlying investment fund's underlying assets may not be entirely invested in the asset class in which such underlying investment fund has been placed.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective November 2017 through May 2018)
(Unaudited)**

8.0 BANKING OPTION

The Program has included the option for participants for a short-term investment vehicle in the form of a Demand Deposit Account (the "Banking Option"). The Banking Option will be an FDIC-Insured bank account whose primary objective is the preservation and safety of the principal and the provision of a stable and low-risk rate of return. This option allows the participants the ability to execute recurring transactions with greater ease. The provider for the Banking Option will be Fifth Third Bank (the "Banking Option Provider").

The Banking Option Provider will provide monthly account statements following any month in which an account using the Account utilizing the Banking Option had financial activity. All account statements shall be sent to the respective Account Owner and any authorized agents and may be sent via /or Authorized Agents by U.S. postal mail and/or provided via website access electronic delivery, as selected specified by the Account Owner.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective November 2017 through May 2018)
(Unaudited)**

**Exhibit A
Target Portfolio Objectives**

The **Aggressive Target Portfolio** seeks to provide very aggressive capital appreciation and some current income. The fund holds 90% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 10% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for the most aggressive growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderately Aggressive Target Portfolio** seeks to provide aggressive capital appreciation and some current income. The fund holds 75% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 25% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for aggressive growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Growth Target Portfolio** seeks to provide capital appreciation and some current income. The fund holds 60% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 40% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderate Target Portfolio** seeks to provide moderate capital appreciation and current income. The fund holds 45% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 55% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderately Conservative Target Portfolio** seeks to provide conservative capital appreciation and current income. The fund holds 30% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 70% in bonds, allocated among domestic bonds, international bonds, and short term investments. Investors with a medium-term time horizon who are looking for conservative growth of principal over time and who can accept some stock market volatility may wish to consider this Portfolio.

The **Conservative Target Portfolio** seeks to provide very conservative capital appreciation and current income. The fund holds 10% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 90% in bonds, allocated among domestic bonds, international bonds, and short term investments. Investors with a short-term time horizon who are looking for very conservative growth of principal over time and who can accept limited stock market volatility may wish to consider this Portfolio.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective November 2017 through May 2018)
(Unaudited)**

**Exhibit B
Underlying Investment Products**

Underlying Investment Product	Asset Class	Benchmark
Vanguard Institutional Index Fund	U.S. Large Cap	S & P 500 Index
Vanguard Extended Market Index Fund	U.S. Small & Mid Cap	S & P Completion
iShares Core MSCI EAFE ETF	Non-U.S. Multi Cap	MSCI EAFE
Schwab Emerging Markets Equity ETF	Emerging Markets	MSCI Emerging Markets
Schwab U.S. REIT ETF	Real Estate	Dow Jones U.S. Select Real Estate Index
Vanguard Total Bond Market Index Fund	U.S. Core Bond	Bloomberg Barclays U.S. Aggregate Bond
Vanguard Short-Term Bond Index Fund	Short-Term Investment Grade	Bloomberg Barclays U.S. Gov't/Credit 1-5yr
Vanguard Short-Term Inflation Protected Securities Index	Short-Term Inflation Protected Bond	Bloomberg Barclays US Treasury TIPS 0-5 Yrs.
iShares Core International Aggregate Bond ETF	International Bond	Bloomberg Barclays Global Aggregate Bond ex-US
Sallie Mae High-Yield FDIC	Cash & Cash Equivalents	3-month T-Bills

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective January 2017 through November 2017)
(Unaudited)**

**State of Illinois
Office of the Treasurer**

**National ABLÉ Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective January 2017 through November 2017)
(Unaudited)**

1.0 STATEMENT OF PURPOSE OF INVESTMENT POLICY

The purpose of this Investment Policy Statement (the "Policy") is to assist contractors retained by the National ABLÉ Alliance (the "Consortium") to provide services related to the management of the assets of the Illinois Achieving a Better Life Experience ("ABLE") pool that are contributed to the Illinois Achieving a Better Life Experience program (the "Program") and to assist the Consortium in evaluating the performance of such contractors by:

- Describing the Consortium's investment objectives;
- Providing general guidelines for the investment of assets of the Program;
- Describing the Consortium's long-term investment strategy;
- Describing the process of evaluating the performance of employees or contractors that provide investment management services to the Program; and
- Specifying the responsibilities of any contractors that provide investment management services to the Program.

This is the official Policy of the Program. Deviation from this Policy is not permitted without prior, explicit, written permission from the Consortium.

2.0 ESTABLISHMENT OF AUTHORITY OF ENTITY

The Illinois Achieving a Better Life Experience program has been established as part of Illinois' State Treasurer Act, 15 ILCS 505 ("Act"). The Act creates ABLÉ account program to encourage and assist individuals and families in saving private funds for the purpose of supporting persons with disabilities in endeavors to maintain health, independence, and quality of life, and to provide secure funding for disability-related expenses on behalf of designated beneficiaries with disabilities that will supplement, but not supplant, benefits provided through private insurance, federal and State medical and disability insurance, the beneficiary's employment, and other sources.

3.0 INVESTMENT PHILOSOPHY

The Illinois State Treasurer's Office, as a member of the Consortium, has adopted a long-term total return strategy for the Program and its investments. In order to achieve the Program's objectives, investments shall be diversified so as to minimize the risk of loss. While some asset classes may experience short-term and intermediate-term volatility, their long-term return assumptions justify their inclusion. A long-term focus on investment results as well as prudent diversification across public security markets will be the primary risk control mechanisms.

In its investment strategy, the Consortium has relied on prevailing financial theory, which currently utilizes a long-term diversified asset allocation strategy. A prudently allocated investment program possesses a significant level of diversification, which produces risk reduction. In terms of impact, diversification shall be considered along the following lines: (1) asset classes (stocks, bonds, cash, etc.); (2) geography/country; (3) industry; and (4) maturity.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective January 2017 through November 2017)
(Unaudited)**

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The Illinois State Treasurer’s Office will review the investment performance of each Portfolio at least quarterly and shall review this Policy at least annually.

The holdings of the Program and the Portfolios are divided into the following broad asset categories:

- Short-Term Investments
- Domestic Fixed Income Investments
- International Fixed Income Investments
- Domestic Equity Investments
- International Equity Investments
- Real Estate Investments

The Consortium will establish reasonable guidelines for each Portfolio, specifying (as applicable) limits on asset and asset class exposures, risk constraints and investment return objectives. While the investment parameters offered under the Program are developed by the Consortium, participants bear the risk of investment results.

The administration and offering of the Program should not be relied upon as a guarantee to participants. Each participant should seek appropriate advice as he or she deems necessary.

Consistent with achieving the foremost investment objectives of the Consortium set forth herein, the Consortium’s Office will prudently exercise ethical and social stewardship in its investment decision-making as the Consortium aspires to contribute to a more just, accountable and sustainable environment. As such, the Consortium shall endeavor to:

- A. Integrate environmental, social and governance (ESG) factors as components of investment decision-making, due diligence and risk management; and
- B. Take into account corporate governance practices, environmental or social impact, and regulatory and reputational risks associated with investment options.

4.0 INVESTMENT OBJECTIVES

The overall investment program for the Program and, as applicable, the Portfolios provided to the participants shall seek to achieve the following long-term investment objectives:

- A long-term competitive rate of return on investments that is equal to or exceeds a return of the

**State of Illinois
Office of the Treasurer**

**National ABLI Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective January 2017 through November 2017)
(Unaudited)**

applicable benchmarks shown in Section 7.0 hereof; and

- An investment program flexible enough to meet the needs of participants based upon their age or investment objective and which provides each individual with the ability to invest in a diversified portfolio to meet his or her long-term investment goals.

5.0 INVESTMENT RESPONSIBILITIES

The Consortium is responsible for the direction of investments and administration of the assets of the Program. In order to properly carry out his responsibilities, the Consortium may rely on one or more contractors to assist in the administration of the Program. The Consortium will engage and plan to rely heavily on said contractor (the “Manager”) for administrative services and investment management services. Among the current responsibilities of the Manager is the implementation of the investment strategy outlined in this Policy and the rebalancing of the Target Portfolios when market movement and/or cash flows cause an asset class to be outside its policy allocation bands. With the Consortium’s approval, the Manager may retain an investment advisor to provide it with portfolio design, due diligence and ongoing monitoring services with respect to the Portfolios and the implementation of the investment strategy outlined in this policy. The Consortium and the Manager shall meet quarterly to review portfolio performance as compared to the applicable benchmarks and peer group performance.

In managing the investments of the Program and the Portfolios, the Manager agrees that it will act with the skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like objectives.

The Program will rely on external investment consultants for investment and administrative advisory services. The independent investment consultant will:

- Measure investment performance results evaluate the investment program, and advise the Consortium as to the performance and continuing appropriateness of each investment manager;
- Recommend modifications to the investment policies, objectives, guidelines, or management structure as appropriate; and
- Promptly inform the Consortium regarding significant matters pertaining to the investment program.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective January 2017 through November 2017)
(Unaudited)**

6.0 INVESTMENT PARAMETERS

Contributions will be invested in one or more of the available Portfolios, each composed of a designated mix of investments which is appropriate for the investment preference of the participant or the investment objective of the Portfolio. Each Portfolio may allocate assets among domestic equity, international equity, real estate, domestic and international fixed-income, and/or cash and cash equivalents. The asset allocation of each Portfolio will be established by the Consortium and managed by the Manager. The Consortium may adjust the weighting in stocks, bonds, real estate, and cash in each Portfolio and may change the underlying investment funds within the Portfolios consistent with this Policy.

The policy target asset allocations and benchmarks for the underlying investments within the Target Portfolios are shown in the following table. There is a permissible range of plus or minus 5% of the target allocation for each underlying investment fund. Please refer to Exhibit A for Target Portfolio Objectives and refer to Exhibit B for a list of underlying investment products and their corresponding benchmarks.

**State of Illinois
Office of the Treasurer**

**National ABLI Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective January 2017 through November 2017)
(Unaudited)**

Target Portfolios		#1	#2	#3	#4	#5	#6
Asset Class	Benchmark	Aggressive	Moderately Aggressive	Growth	Moderate	Moderately Conservative	Conservative
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	S & P Completion	27.00%	22.50%	18.00%	13.50%	9.00%	3.00%
Real Estate	Dow Jones U.S. Select Real Estate Index	9.00%	7.50%	6.00%	4.50%	3.00%	1.00%
International Equity	MSCI EAFE	16.20%	13.50%	10.80%	8.10%	5.40%	1.80%
	MSCI Emerging Markets	6.30%	5.25%	4.20%	3.15%	2.10%	0.70%
Domestic Fixed Income	Bloomberg Barclays US Treasury TIPS 0-5 Yrs.	3.50%	8.75%	14.00%	19.25%	15.75%	10.50%
	Bloomberg Barclays U.S. Aggregate Bond	3.00%	7.50%	12.00%	16.50%	13.50%	9.00%
	Bloomberg Barclays U.S. Gov't/Credit 1-5yr	2.50%	6.25%	10.00%	13.75%	11.25%	7.50%
Foreign Bonds	Bloomberg Barclays Global Aggregate Bond ex- US	1.00%	2.50%	4.00%	5.50%	4.50%	3.00%
Money Market	3-month T-Bills	0.00%	0.00%	0.0%	0.00%	25.00%	60.00%

Each underlying investment fund's return objective is to equal or exceed, over a five-year rolling period, the return of the applicable benchmark net of fees. Volatility, measured by the standard deviation of quarterly returns over that period, is expected to be similar to the benchmark. Each underlying investment fund is also expected to perform favorably relative to its peer group.

To the extent that the assets of a Portfolio are invested in one or more underlying investment funds approved by the Consortium having investment objectives consistent with the above-noted asset allocation categories, the above-noted percentage guidelines shall be deemed satisfied. This shall be the case even if such underlying investment fund's underlying assets may not be entirely invested in the asset class in which such underlying investment fund has been placed.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective January 2017 through November 2017)
(Unaudited)**

7.0 BANKING OPTION

The Program has included the option for participants for a short-term investment vehicle in the form of a Demand Deposit Account (the "Banking Option"). The Banking Option will be an FDIC-Insured bank account whose primary objective is the preservation and safety of the principal and the provision of a stable and low-risk rate of return. This option allows the participants the ability to execute recurring transactions with greater ease. The provider for the Banking Option will be Fifth Third Bank (the "Banking Option Provider").

The Banking Option Provider will provide monthly account statements following any month in which an account using the Account utilizing the Banking Option had financial activity. All account statements shall be sent to the respective Account Owner and any authorized agents and may be sent via /or Authorized Agents by U.S. postal mail and/or provided via website access electronic delivery, as selected specified by the Account Owner.

**State of Illinois
Office of the Treasurer**

**National ABLI Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective January 2017 through November 2017)
(Unaudited)**

**Exhibit A
Target Portfolio Objectives**

The **Very Aggressive Target Portfolio** seeks to provide very aggressive capital appreciation and some current income. The fund holds 90% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 10% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for the most aggressive growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Aggressive Target Portfolio** seeks to provide aggressive capital appreciation and some current income. The fund holds 75% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 25% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for aggressive growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Growth Target Portfolio** seeks to provide capital appreciation and some current income. The fund holds 60% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 40% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderate Target Portfolio** seeks to provide moderate capital appreciation and current income. The fund holds 45% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 55% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Conservative Target Portfolio** seeks to provide conservative capital appreciation and current income. The fund holds 30% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 70% in bonds, allocated among domestic bonds, international bonds, and short term investments. Investors with a medium-term time horizon who are looking for conservative growth of principal over time and who can accept some stock market volatility may wish to consider this Portfolio.

The **Very Conservative Target Portfolio** seeks to provide very conservative capital appreciation and current income. The fund holds 10% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 90% in bonds, allocated among domestic bonds, international bonds, and short term investments. Investors with a short-term time horizon who are looking for very conservative growth of principal over time and who can accept limited stock market volatility may wish to consider this Portfolio.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective January 2017 through November 2017)
(Unaudited)**

**Exhibit B
Underlying Investment Products**

Underlying Investment Product	Asset Class	Benchmark
Vanguard Institutional Index Fund	U.S. Large Cap	S & P 500 Index
Vanguard Extended Market Index Fund	U.S. Small & Mid Cap	S & P Completion
iShares Core MSCI EAFE ETF	Non-U.S. Multi Cap	MSCI EAFE
Schwab Emerging Markets Equity ETF	Emerging Markets	MSCI Emerging Markets
Schwab U.S. REIT ETF	Real Estate	Dow Jones U.S. Select Real Estate Index
Vanguard Total Bond Market Index Fund	U.S. Core Bond	Bloomberg Barclays U.S. Aggregate Bond
Vanguard Short-Term Bond Index Fund	Short-Term Investment Grade	Bloomberg Barclays U.S. Gov't/Credit 1-5yr
Vanguard Short-Term Inflation Protected Securities Index	Short-Term Inflation Protected Bond	Bloomberg Barclays US Treasury TIPS 0-5 Yrs.
iShares Core International Aggregate Bond ETF	International Bond	Bloomberg Barclays Global Aggregate Bond ex-US
Sallie Mae High-Yield FDIC	Cash & Cash Equivalents	3-month T-Bills

**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***

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
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The Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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 Illinois Achieving a Better Life Experience Program (ABLE), a fiduciary (private-purpose trust) fund of the State of Illinois, Office of the Treasurer, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the ABLE Program financial statements, and have issued our report thereon dated January 28, 2020.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Office of the Treasurer, ABLE 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 those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered the State of Illinois, Office of the Treasurer's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Office of the Treasurer's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Office of the Treasurer'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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2019-001 that we consider to be a material weakness.

Office of the Treasurer's Response to the Finding

The State of Illinois, Office of the Treasurer, ABLE program's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The State of Illinois, Office of the Treasurer's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois, Office of the Treasurer'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, Office of the Treasurer's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Springfield, Illinois
January 28, 2020

SCHEDULE OF FINDINGS

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Schedule of Findings
For the Year Ended June 30, 2019**

2019-001 **Finding** (Lack of Adequate Controls over the Review of External Service Provider)

The Office of the Treasurer (Office) did not maintain adequate internal controls to properly assess the procedures required to sufficiently review the checking (banking) option debit card withdrawal process serviced by an external subservice organization and document its review of controls.

The Office utilized a third-party service provider to manage the Achieving a Better Life Experience Program (ABLE), which utilized an external subservice organization to service the Checking Account (banking) option.

During testing, the auditors noted the Office performed procedures designed to understand the external subservice organization's process and controls, but did not properly assess the sufficiency of the procedures related to financial reporting controls for debit card transaction withdrawals. In addition, the procedures performed were not sufficiently documented. While not identified by the service organization as being material to its operations, the subservice organization was material to the Office. As of June 30, 2019, total assets of the checking (banking) option were \$1,596,534, totaling 27% of Illinois ABLE assets, and the net position held in trust for participants was \$5,833,289.

The Office is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to ensure its critical and confidential data are processed accurately and securely. This responsibility is not limited due to the process being outsourced.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. In addition, generally accepted information technology guidance endorses the review and assessment of internal controls related to information systems and operations to ensure the accurate processing and security of information.

The Office believes it had adequate assurance that operations regarding the checking (banking) option were properly monitored and reported.

By failing to properly assess the procedures necessary to adequately review the controls of its subservice providers, the Office did not have sufficient assurance debit card transactions in the checking account option were safe or properly reported. (Finding Code No. 2019-001, 2018-001, 2017-001)

Recommendation

We recommend the Office establish an internal control process to perform and fully document due diligence procedures to ensure transactional activity between service and subservice organizations is fully documented. The review of controls should be documented timely and include any complementary user entity controls relevant to the Office's operations. In addition, we recommend the Office obtain training for its staff regarding service organization due diligence procedures and an understanding of the types of controls that would impact financial reporting and the Office's fiduciary responsibilities.

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Schedule of Findings
For the Year Ended June 30, 2019**

Office Response

The Office of the State Treasurer (Office) disagrees with the finding.

Internal controls and procedures the Office performed included reporting, due diligence, review of the SOC1 Report of the third-party service provider, and daily, weekly, and monthly review of transaction data provided by the third-party service provider. Further, the checking (banking) account is provided by an external contractor, which is a federally insured bank, subject to rigorous federal and state oversight and regulatory examination.

Specific internal controls in place include:

- National ABLE Alliance (NAA) Financial Statements – By contractual requirement, the third-party service provider is required to provide both un-audited and audited financial statements for the National ABLE Alliance Trust, prepared by an independent external auditor, along with an individual schedule for Illinois, which includes data for the Checking Account Option. The independent audit is performed in accordance with Government Auditing Standards. As part of the audit, the independent auditor performs sampling of transactions, including accounts within the Checking Account Option, and reviews the external contractor statements to validate accurate fund allocation;
- We review and report on the third-party service provider SOC1 Report. The SOC1 included controls associated with transactions processing. The SOC audit was completed by an independent auditor who performed random sampling of transactions to ensure accuracy and completeness. The Checking Account Option transactions were included in the universe of testing by the independent auditor and sampling from National ABLE Alliance transactions may have included debit transactions;
- We received and reviewed the monthly third-party service provider internal Service Level Agreement (SLA) sampling, which reviews transactions for accuracy and timeliness. The third-party service provider is contractually required to process 97% of contributions accurately; instead, this has been consistently reported at 100%;
- We submit a monthly ABLE data program report and investment report to the Office Investment Policy Committee; provided on a monthly basis by the Programs team and the Investment team, which independently provide reports based on various sources of data. Part of that exercise and separate presentations helps to ensure that balances across the various investment options (including the Checking Account option) are aligned and we rely on independent data from an independent investment consultant, who monitors performance and balances across all investment options on a quarterly basis. Additionally, we rely on account holder feedback and, if we had received comments/concerns from account holders that their data was inaccurate, we would have taken a closer look at the process that the third-party service provider has in place and escalated any concerns that were not promptly addressed; and
- During its Annual Due Diligence visit in May 2018 at the third-party service provider's operational center. Staff observed the third-party service provider's double-blind entry process, a process which remained in place in FY 2019. While on site we witnessed how all check deposits, including those allocated to the Checking Account Option, were scanned and processed into a Kofax portal which utilized double-blind entry to enhance quality and accuracy. We also observed separate

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Schedule of Findings
For the Year Ended June 30, 2019**

processors as they followed a process requiring entry of key information for the same transaction, which flagged any discrepancies for review.

These internal controls and procedures have been in place since the program was established. The aforementioned controls provided adequate assurance that the operations regarding the Checking Account (banking) option are properly monitored and reported and do not necessitate review of transactional, account-level data or additional procedures and controls.

Auditor's Comment

The Office may have procedures in place to obtain an understanding of the subservice provider's internal controls over the debit card transaction withdrawals; however, without documentation of such, the auditors are unable to assess the adequacy and sufficiency of the internal controls.