



HR0174 Enrolled

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HOUSE RESOLUTION 174

2 WHEREAS, The College Illinois! prepaid tuition program has
3 served Illinois families successfully for more than a decade,
4 encouraging parents and grandparents to pay college tuition in
5 advance through the purchase of State-sponsored prepaid
6 tuition contracts; and

7 WHEREAS, The financial performance of the College
8 Illinois! prepaid tuition program is critical to ensure the
9 plan participants' ability to access funds when students are
10 prepared to attend an institution of higher education; and

11 WHEREAS, The College Illinois! prepaid tuition program is
12 not backed by the full faith and credit of the State of
13 Illinois, but rather constitutes a moral obligation of the
14 State, making the College Illinois! prepaid tuition program
15 long-term investment portfolio vulnerable to risk-intensive
16 investment practices; and

17 WHEREAS, In 2009, College Illinois! prepaid tuition
18 program assets were virtually stocks and bonds in their
19 entirety, but, by the conclusion of January 2011, the College
20 Illinois! fund held \$419 million or 38% in alternative
21 investments such as hedge funds, real estate, and private
22 equity investments; and

1 WHEREAS, Hedge funds and private equity investments often
2 fail to provide an intensive level of transparency appropriate
3 for public institutional investments of this kind; and

4 WHEREAS, The Illinois Student Assistance Commission's
5 stated strategy is to pursue alternative investments until the
6 College Illinois! prepaid tuition program portfolio reaches
7 47% in alternative investments such as hedge fund, real estate,
8 and private equity investments; and

9 WHEREAS, In 2008, the Illinois Student Assistance
10 Commission invested \$12.7 million in ShoreBank, a privately
11 held company and, in 2010, the entire \$12.7 million was lost
12 when federal regulators closed the bank; and

13 WHEREAS, As of June 30, 2007, the College Illinois! prepaid
14 tuition program fund was 7% underfunded, and, as of June 2010,
15 the date of the most recent figures available, the College
16 Illinois! prepaid tuition program fund was 31% underfunded;
17 therefore, be it

18 RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE
19 NINETY-SEVENTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that
20 the Auditor General shall conduct a management audit of the
21 College Illinois! prepaid tuition program's administrative

1 operations; and be it further

2 RESOLVED, That the audit include, but not be limited to,
3 the following determinations:

4 (1) The growth in recent years of program costs; and

5 (2) The efficacy of the program's administration, and,
6 in particular, the Illinois Student Assistance
7 Commission's oversight and administrative capacity to
8 evaluate and direct College Illinois! prepaid tuition
9 program investments; and be it further

10 RESOLVED, That as a part of this audit, the Auditor General
11 shall conduct an independent asset allocation study of College
12 Illinois! prepaid tuition program investments to determine the
13 overall level of risk associated with the program's current
14 alternative investment mix; it is intended that this study
15 shall be conducted in comparison with a standardized investment
16 portfolio containing no alternative investments, as well as in
17 comparison with actual investment portfolios of similar public
18 prepaid tuition programs currently operating in the states of
19 Michigan, Virginia, Washington, and Florida; and be it further

20 RESOLVED, That the Illinois Student Assistance Commission
21 and any other entity having information relevant to this audit
22 cooperate fully and promptly with the Auditor General's Office
23 in the conduct of this audit; and be it further

1 RESOLVED, That the Auditor General commence this audit as
2 soon as possible and report his findings and recommendations
3 upon completion in accordance with the provisions of Section
4 3-14 of the Illinois State Auditing Act; and be it further

5 RESOLVED, That suitable copies of this resolution be
6 delivered to the Auditor General and the Director of the
7 Illinois Student Assistance Commission.