State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program

Financial Audit
For the Year Ended June 30, 2015

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

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State of Illinois
Illinois Student Assistance Commission
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Financial Audit
For the Year Ended June 30, 2015

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State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program

Agency Officials

Executive Director	Eric Zarnikow
Chief Financial Officer	Shoba Nandhan
Chief Investment Officer	Kent Custer
General Counsel	Karen Salas

Agency offices are located at:

1755 Lake Cook Road
Deerfield, IL 60015-5209

500 West Monroe
Springfield, IL 62704

100 West Randolph
Suite 3-200
Chicago, IL 60601

Financial Statement Report

Summary

The audit of the accompanying financial statements of the Illinois Prepaid Tuition Program of the State of Illinois, Illinois Student Assistance Commission (Program) was performed by RSM US LLP.

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

Exit Conference

In correspondence received from Wendy Funk, Director of Accounting and Finance, on December 2, 2015, the Commission elected to waive an exit conference.

Independent Auditor's Report

Honorable William G. Holland
Auditor General
State of Illinois, and

Mr. Miguel del Valle
Acting Chair of the Governing Board
Illinois Student Assistance Commission

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Illinois Prepaid Tuition Program of the State of Illinois, Illinois Student Assistance Commission as of and for the year ended June 30, 2015, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Illinois Prepaid Tuition Program of the State of Illinois, Illinois Student Assistance Commission, as of June 30, 2015, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2, the financial statements present only the Illinois Prepaid Tuition Program, and do not purport to, and do not present fairly the financial position of the State of Illinois or the State of Illinois, Illinois Student Assistance Commission, as of June 30, 2015, and the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Also, as discussed in Notes 10 and 11, the Illinois Prepaid Tuition Program has a deficit as of June 30, 2015 of $236 million. The amount of the reported deficit is highly dependent on the actuarial assumptions used to calculate the actuarial present value of future tuition benefit obligations.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information:
Management has omitted management's discussion and analysis for the Illinois Prepaid Tuition Program that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a required 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 audit was conducted for the purpose of forming an opinion on the financial statements of the Illinois Prepaid Tuition Program of the State of Illinois, Illinois Student Assistance Commission. The Other Information, consisting of the actuarial soundness report, is presented for purposes of additional analysis and is not a required part of the financial statements. The actuarial soundness report has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting of the Illinois Prepaid Tuition Program and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Illinois Student Assistance Commission's internal control over financial reporting of the Illinois Prepaid Tuition Program and its compliance.

RSM US LLP

Schaumburg, Illinois
December 18, 2015

State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program

Statement of Net Position
June 30, 2015

Assets	
Current	
Cash and cash equivalents	$ 4,797,459
Investments	156,600,659
Receivables:	
Contracts receivable	18,270,942
Notes receivable	1,007,236
Accrued interest on investments	160
Total current assets	180,676,456
Noncurrent	
Investments	862,980,078
Contracts receivable	41,550,614
Total non-current assets	904,530,692
Total assets	1,085,207,148
Liabilities	
Current	
Accounts payable and accrued expenses	914,185
Due to other ISAC fund	204,472
Tuition obligation	163,506,101
Total current liabilities	164,624,758
Noncurrent	
Tuition obligation	1,156,695,856
Total liabilities	1,321,320,614
Net position, unrestricted (deficit)	$ (236,113,466)

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2015

Operating revenues:		
Income from investment securities (net of closed end funds investment management fees of $3,522,425; see Note 3C)	$	43,773,859
Interest revenue - other		316,707
Fees		410,427
Tuition contract revenue		23,261,353
Net operating revenues		67,762,346
Operating expenses:		
Salaries and employee benefits		1,994,836
Accreted tuition expense		18,624,639
Management and professional services		3,904,268
Investment management fees		1,490,849
Investment advisory fees		1,916,709
Total operating expenses		27,931,301
Change in net position		39,831,045
Net position (deficit), July 1, 2014		(275,944,511)
Net position (deficit), June 30, 2015	$	(236,113,466)

See Notes to Financial Statements.

State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program

Statement of Cash Flows
Year Ended June 30, 2015

Cash flows from operating activities	
Cash receipts from tuition contracts	$ 32,867,364
Cash received from fees	410,427
Cash paid for refund of contracts	(18,236,533)
Cash paid for tuition	(120,167,041)
Cash payments to suppliers for goods and services	(4,427,949)
Cash payments to employees for services	(1,994,836)
Net cash used in operating activities	(111,548,568)
Cash flows from investing activities	
Purchase of investment securities	(226,490,539)
Sales and maturities of investment securities	322,275,784
Note disbursed	(750,000)
Interest and dividends on investments	18,966,089
Cash paid to investment managers	(1,490,849)
Net cash provided by investing activities	112,510,485
Net increase in cash and cash equivalents	961,917
Cash and cash equivalents, July 1, 2014	3,835,542
Cash and cash equivalents, June 30, 2015	$ 4,797,459

(Continued)

State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program

Statement of Cash Flows (Continued)
Year Ended June 30, 2015

Reconciliation of operating income to net cash used in operating activities:	
Change in net position	$ 39,831,045
Adjustments to reconcile operating income to net cash used in operating activities:	
Accreted tuition contract revenue	(23,261,353)
Investment income and other interest income	(44,034,134)
Investment management fees	1,490,849
Investment advisory fees	1,916,709
Accreted tuition expense	18,624,639
Decrease in assets:	
Contracts receivable	16,224,129
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	141,140
Due to other ISAC fund	19,211
Due to other State funds	(67,584)
Due to State of Illinois component units	(616,448)
Tuition obligation	(121,816,771)
Total adjustments	(151,379,613)
Net cash used in operating activities	$ (111,548,568)
Supplemental disclosure of noncash investing transactions:	
Net appreciation in fair value of investments	$ 22,892,395

See Notes to Financial Statements.

Note 1. Description of Program

The Illinois Student Assistance Commission (ISAC or Commission) administers the nonshared proprietary fund, Illinois Prepaid Tuition Program (*College Illinois!*® or Program) described below. A nonshared fund is a fund in which a single State agency is responsible for administering substantially all financial transactions of the fund.

Legislation authorizing ISAC to administer an Illinois Prepaid Tuition Program was passed in November 1997. The purpose of this program is to provide Illinois families with an affordable tax-advantaged method to pay for college. Illinois Prepaid Tuition contracts will allow participants to prepay the cost of tuition and mandatory fees at Illinois public universities and community colleges. Benefits of the contracts can also be used at private and out-of-state colleges and universities. Contracts can be purchased in a lump sum payment or in installments.

The Illinois Prepaid Tuition Program Fund is a non-appropriated fund.

A. Program Administration

Oversight of the Program is provided by the Illinois Student Assistance Commission, an agency of the State of Illinois, which was established more than 50 years ago with the mission of helping to make college accessible and affordable for Illinois students. The agency is governed by the Commission, a board of ten persons (barring temporary vacancies) appointed by the Governor. The Commission employs and provides direction to an Executive Director who is responsible for overseeing and implementing the Commission's day-to-day operations. The Commission's administrative powers include, but are not limited to: adopting a sound Investment Policy; approving any changes to the investment manager structure; and monitoring and evaluating the investment performance of the Fund.

The Investment Committee (or Committee) refers to a committee consisting of at least three members of the Commission with knowledge of investing. Investment Committee members shall be selected by the Chair of the Commission and approved by a vote of the Commission. The Investment Committee is generally responsible for monitoring Fund investments and performance to ensure compliance with the Investment Policy and making related recommendations to the Commission.

The Commission also appoints the members of the Investment Advisory Panel. The Panel consists of seven persons (barring temporary vacancies) with expertise in the areas of accounting, actuarial practice, risk management or investment management. It provides advice to the Commission on issues related to the Program's financial policies and practices and its investment strategy and asset allocation with the objective of obtaining the best possible return on investments, consistent with the actuarial soundness of the Program. The Investment Advisory Panel may also advise on other aspects of the Program.

The Program has been designed to comply with all requirements relating to qualified tuition programs under Section 529 of the Internal Revenue Code of 1986 and Illinois law.

Note 2. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Illinois Prepaid Tuition Program does not have component units, nor is it a component unit of any other entity. The Illinois Prepaid Tuition Program is not legally separate from the State of Illinois; it is included in the financial statements of the State as a proprietary fund. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1871.

The financial statements present only the Illinois Prepaid Tuition Program administered by the State of Illinois, Illinois Student Assistance Commission (ISAC) and do not purport to, and do not, present fairly the financial position of the State of Illinois or ISAC as of June 30, 2015, and changes in their financial positions and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The assets of the Fund are to be preserved, invested and expended solely pursuant to and for the purposes of the Fund and may not be loaned or otherwise transferred or used by the State for any other purpose.

B. Basis of Presentation

In government, the basic accounting and reporting entity is a fund. A fund is a self-balancing set of accounts segregated for specific purposes/activities generally in accordance with laws and regulations or specific restrictions or limitations on resource use. As a proprietary fund, a statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows have been presented for the Illinois Prepaid Tuition Program administered by ISAC.

Operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Due to the nature of the Illinois Prepaid Tuition Program activities, income from investments is considered an operating activity in the Statement of Revenues, Expenses, and Changes in Net Position. The fund has no nonoperating activities.

Note 2. Summary of Significant Accounting Policies - Continued

C. Basis of Accounting

The Illinois Prepaid Tuition Program is reported as an enterprise fund, 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. The fund accounts for resources received and used for financing self-supporting activities of the Illinois Prepaid Tuition Program that offers services (prepaid tuition contracts) on a user-charge basis to the general public.

D. Cash and Cash Equivalents

Cash and cash equivalents consist principally of deposits held in the State Treasury. Cash and cash equivalents include cash on hand, cash in banks, interest bearing deposits with banks, and investments in the Illinois Fund.

E. Investments

The Illinois Prepaid Tuition Program presents investments on its Statement of Net Position at fair value – see Note 3 C for information on the determination of fair value. The net appreciation or depreciation in the fair value of investments since the prior fiscal year (or purchase date for fiscal year 2015 purchases) is included in investment income in the Statement of Revenues, Expenses, and Changes in Net Position. Dividend and interest income are recorded in the period earned.

F. Contracts Receivable

Contracts receivable represents the amount the Program expects to receive from contract holders for contracts purchased on an installment basis. The actuarially determined present value of future contributions was $59,821,556 as of June 30, 2015 using a 7% discount rate. The Program expects to receive contributions totaling $18,270,942 in fiscal year 2016. This amount has been classified as current contracts receivable on the Statement of Net Position. The total contract receivable balance is expected to be received over the next fifteen years.

G. Interfund Transactions

The Illinois Prepaid Tuition Program has the following type of interfund transactions with other funds of the State:

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

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

Transfers—flows of assets (such as cash or goods) without equivalent flow of assets in return and without a requirement for repayment. Transfers are reported after nonoperating revenues and expenses.

Note 2. Summary of Significant Accounting Policies - Continued

H. Tuition Obligation

The tuition obligation in the Illinois Prepaid Tuition Program represents the net contract amount for the 43,579 contracts held by the fund as of June 30, 2015, plus the actuarially-determined present value of future benefits the Program expects to provide to contract holders for all contracts.

I. Net Position (Deficit)

Net position at year-end (when positive) is restricted by the provisions of the tuition contracts, for tuition payments for beneficiaries of the contract owners. Net deficits however are categorized as unrestricted, and represent the unfunded liability of the Program.

J. Use of Estimates

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

K. Funding and Actuarial Assistance

Program funding is derived entirely from payments received from contract purchasers and the investment income earned by the Fund. The Commission has obtained actuarial assistance in order to measure the Fund's obligations.

Note 3. Deposits and Investments

A. Investment Authority and Legal Compliance

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

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

Note 3. Deposits and Investments – Continued

A. Investment Authority and Legal Compliance (Continued)

The Commission board members have ultimate responsibility for the success and safety of the investment program. Specific responsibilities of the Commission include, but are not limited to, the following:

1. Adopting a sound investment policy. The Policy may be modified from time to time by action of the Commission and shall be adopted annually by the Commission in accordance with the Act.
2. Adopting a sound asset allocation policy. The asset allocation policy shall be reviewed and amended as necessary but at least every three years.
3. Approving any changes to the investment manager structure.
4. Approving the selection and termination of any investment service provider.
5. Monitoring and evaluating the investment performance of the Fund and ensuring the risk profile is consistent with Policy objectives.
6. Establishing the primary duties and responsibilities of those accountable for achieving and reviewing investment results.
7. Adopting and reviewing, at least annually, the diversity policies required by section 30(b-5) of the Prepaid Tuition Act (110 ILCS 979/30(b-5).

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

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

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

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

The Commission also appoints an Investment Committee consisting of at least three (3) members of the Commission with knowledge of investing. Investment Committee members are selected by the Chair of the Commission and approved by a vote of the Commission. The Investment Committee meets at least quarterly with the Chief Investment Officer and the Investment Consultant.

The Investment Committee is generally responsible for monitoring Fund investments and performance to ensure compliance with the Investment Policy and for considering investment initiatives for potential recommendation to the full Commission.

The Chief Investment Officer (CIO) is responsible for the day to day operation and oversight of the Fund and for coordinating the activities of the Investment Committee, the Investment Advisory Panel, and investment related activities of the Commission. The CIO reports directly to the Executive Director and has a “dotted-line” reporting relationship to the Commission. The CIO has the authority and responsibility to ensure that the Commission is adequately informed on matters and concerns relating to Fund investments. The CIO will

Note 3. Deposits and Investments – Continued

A. Investment Authority and Legal Compliance - Continued

work closely with the Executive Director, Investment Consultant and Investment Staff to carry out the duties and responsibilities of this role.

In accordance with the Prepaid Tuition Act, the Commission may arrange to compensate for personalized investment advisory services rendered with respect to any or all of the investments under its control to an investment advisor registered under Section 8 of the Illinois Securities Law of 1953 or any bank or other entity authorized by law to provide those services.

A qualified investment consultant, on an ongoing basis, evaluates the Illinois Prepaid Tuition Program. The primary role of the Investment Consultant is to provide the information, analysis, and advice required by the Investment Staff, Investment Advisory Panel, Investment Committee, and Commission to carry out their duties and to assist them in developing and implementing a prudent process for monitoring and evaluating Fund investments. The Investment Consultant will work closely with the CIO, but is expected to provide an independent perspective to the Investment Committee and Commission.

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

The qualified investment consultant retained by the Commission is expected to provide an independent prospective within the parameters set forth in the investment policy guidelines. Effective December 2011, the Program has contracted with Callan Associates to evaluate the investment performance of the Illinois Prepaid Tuition Program on an ongoing basis.

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

The Custodian has three primary responsibilities, namely: (1) Safekeeping of Assets – custody, pricing and accounting and reporting of assets owned by the Fund; (2) Trade Processing – track and reconcile assets that are acquired and disposed; and, (3) Asset Servicing – maintain all economic benefits of ownership such as income collection, corporate actions, and proxy notification issues.

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

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

Note 3. Deposits and Investments – Continued

A. Investment Authority and Legal Compliance - Continued

Program acknowledge in writing that they are a fiduciary with respect to the Fund or that they are a fiduciary to a limited partnership or commingled fund in which the College Illinois Prepaid Tuition Trust Fund is an investor.

Unless otherwise exempt from registration, investment managers need to be currently registered and maintain registration as an investment advisor under the Investment Advisors Act of 1940, a bank (as defined in the Act), or an insurance company qualified to perform investment management services under the law of more than one state unless otherwise approved on an exception basis.

The Commission has established strict guidelines to ensure that hiring decisions are made in a full-disclosure environment characterized by competitive selection, objective evaluation, and proper documentation. The overriding consideration with respect to all decisions is that they shall be made solely in the best interest of participants and beneficiaries of the Fund.

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

B. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Illinois Prepaid Tuition Program's deposits may not be returned to it. State law (30 ILCS 230/2C) requires that all deposits of public funds be covered by FDIC insurance or eligible collateral. The Illinois Prepaid Tuition Program has no policy that would further limit the requirements under State law. As of June 30, 2015, the Illinois Prepaid Tuition Program's deposits held outside the State Treasury were not exposed to custodial credit risk.

C. Investments

ISAC is required annually to adopt a comprehensive investment policy to invest the funds received through contract payments. The Commission approved the Illinois Prepaid Tuition Program's FY15 revision to the investment policy in July 2014; the most recent policy update was done in June 2015.

The comprehensive investment plan specifies the investment policies to be utilized by the Commission in its administration of the Illinois Prepaid Tuition Program. The Commission may direct that assets of the Program be invested in a manner that will meet or exceed the return of the Policy Benchmark consistent with the actuarial soundness of the Fund and the risk level expected from the asset allocation. The investments should be in compliance with all applicable federal and state laws and other statutes governing the investment of Illinois Prepaid Tuition Program resources.

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

Note 3. Deposits and Investments - Continued

C. Investments (Continued)

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

	Targets		Rebalancing Range	
Asset Allocation	**Long-term**	**Interim**	**Lower Limit**	**Upper Limit**
U.S. Equity	22.00%	22.00%	19.00%	25.00%
Non-U.S. Equity	20.00%	18.00%	15.00%	21.00%
Fixed Income	25.00%	21.00%	18.00%	24.00%
High Yield	3.00%	4.00%	3.00%	5.00%
REIT	5.00%	5.00%	3.00%	7.00%
Absolute Return	9.00%	9.00%	7.00%	11.00%
Real Estate	5.00%	10.00%	N/A	N/A
Infrastructure	5.00%	8.00%	N/A	N/A
Private Equity	5.00%	2.00%	N/A	N/A
Cash	1.00%	1.00%	0.00%	4.00%

The primary benchmark (the Policy Benchmark) for evaluating the performance of the Program is a Target Index consisting of a market index or equivalent for each asset class, weighted in accordance with the target allocation (or interim target allocation if applicable). Over a three to five year period the Program is expected to generate returns, after payment of all fees and expenses, which exceed the returns of the Target Index.

The Target Index components are as follows.

Asset Class	Index	Weight
U.S. Equity	Russell 3000	22.00%
Non-U.S. Equity	MSCI EAFE	18.00%
Fixed Income	BC U.S. Aggregate	21.00%
High Yield	BofA MLHY	4.00%
REIT	MSCI US REIT	5.00%
Absolute Return	90-day T Bills +4%	9.00%
Real Estate	NCREIF ODCE	10.00%
Infrastructure	90-day T Bills +4%	8.00%
Private Equity	Russell 3000 + 3%	2.00%
Cash	90-day T-Bills	1.00%

ISAC has established investment guidelines for the investment managers and conducts thorough due diligence before the appointment of all investment managers. ISAC has retained State Street Global Advisors, Income Research Management, RhumbLine Advisers, Security Capital Research, Alinda Infrastructure, Portfolio Advisors, JP Morgan AIRRO, Morgan Stanley, Balestra Capital, Neuberger Berman, Pinnacle Natural Resource, Ativo, Cornerstone Capital Management, Harris/Pyrford, CM Growth/Camelot Secondary, Kennedy Wilson, Lyrical-Antheus, Mesirow Value, T. Rowe Price and DDJ as investment managers to assist with the investment of the Program assets for the Illinois Prepaid Tuition Program.

Note 3. Deposits and Investments - Continued

C. Investments - Continued

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

As of June 30, 2015, 21.74% of the funds were invested in Domestic Equities, 20.59% in Fixed Income, 17.19% in International Equities, 8.38% in Infrastructure Funds, 9.41% in Absolute Return Funds, 2.96% in Private Equity Funds,10.80% in Real Estate, 4.12% in Real Estate Investment Trust,3.47% in High Yield, and 1.34% in cash and equivalents.

Investments owned are reported at fair value as follows:

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

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

(3) Money Market Instruments – average cost which approximates fair values;

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

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

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

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

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

Private equity, real estate and infrastructure investment portfolios consist of passive interests in non-publicly traded companies. The Program had outstanding unfunded commitments of approximately $5 million to private equity partnerships, $1 million to real estate and $7 million to infrastructure funds as of June 30, 2015.

State of Illinois
Illinois Student Assistance Commission
Illinois Prepaid Tuition Program

Notes to Financial Statements

Note 3. Deposits and Investments - Continued

C. Investments - Continued

The Illinois Prepaid Tuition Program's cash and investments at June 30, 2015 are presented below at fair value by investment type and by investment manager:

Investment Managers
Asset Allocation at June 30, 2015

Asset Class	Investment Manager		Fair Value	Actual Allocation
Fixed Income-Core Plus	T. Rowe Price	$	74,643,763	7.28%
Fixed Income-Core	State Street Global Advisors		70,458,480	6.88%
Fixed Income-Intermediate	Income Research Management		65,870,580	6.43%
Total Fixed Income Portfolio			**210,972,823**	**20.59%**
High Yield	DDJ Strategic Income Plus		35,589,028	3.47%
Total High Yield			**35,589,028**	**3.47%**
REIT Preferred Growth	Security Capital Research		42,257,467	4.12%
Total REIT			**42,257,467**	**4.12%**
Real Estate-Value Added	Kennedy Wilson		14,326,703	1.40%
Real Estate-Value Added	Kennedy Wilson		49,365,860	4.82%
Real Estate-Opportunistic	Lyrical-Antheus		20,022,886	1.95%
Real Estate-Value Added	Mesirow Value		26,940,052	2.63%
Total Real Estate			**110,655,501**	**10.80%**
Large-Cap Core Equity	Rhumbline Advisers		83,375,737	8.14%
All-Cap Core Equity	Rhumbline Advisers		139,280,327	13.60%
Total Domestic Equity			**222,656,064**	**21.74%**
International Equity	Ativo		52,489,234	5.12%
International Equity	Cornerstone Capital Management		53,905,748	5.26%
International Equity	Harris/Pyrford		69,639,857	6.80%
Total International Equity			**176,034,839**	**17.19%**
Infrastructure	Alinda Infrastructure		55,843,286	5.45%
Infrastructure	JP Morgan AIRRO		29,979,790	2.93%
Total Infrastructure			**85,823,076**	**8.38%**
Absolute Return Fund	Funds in transition - Balestra Capital		3,146,332	0.31%
Absolute Return Fund	Neuberger Berman		55,335,793	5.40%
Absolute Return Fund	Pinnacle Natural Resource		37,897,352	3.70%
Total Absolute Return Funds			**96,379,477**	**9.41%**
Private Equity Secondary FoFs	CM Growth Capital Partners LP		7,792,369	0.76%
Private Equity Secondary FoFs	Morgan Stanley		9,750,318	0.95%
Private Equity Secondary FoFs	Portfolio Advisors		12,734,371	1.24%
Total Private Equity			**30,277,058**	**2.96%**
Cash and Equivalents	Northern Trust		8,935,404	0.87%
Investment Cash Equivalents			**8,935,404**	**0.87%**
Total Investments			**1,019,580,737**	**99.53%**
Cash and Equivalents	Illinois Treasury and lock box		4,797,458	0.47%
Total Cash Equivalents			**4,797,458**	**0.47%**
TOTAL PORTFOLIO		**$**	**1,024,378,195**	**100%**

Note 3. Deposits and Investments - Continued

C. Investments – Continued

Investment Management Fees

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

For investment managers who invest moneys in publicly held securities the Program pays an investment management fee for investment management services. The investment management fee is based upon contractually agreed upon conditions and provisions. Investment management fees expense for investments in publicly held securities amounted to $1,490,849 for the year ended June 30, 2015 and is accounted for in the Statement of Revenues, Expenses, and Changes in Net Position.

For investment managers of alternative investments (not publicly held securities) the Program pays an investment advisory fee. The investment advisory fees are calculated based upon the terms and conditions agreed upon with each individual contractual agreement and are recognized as investment advisory fees expense in the Statement of Revenues, Expenses, and Changes in Net Position. Investment advisory expense as reflected in the Statement of Revenues, Expenses, and Changes in Net Position for FY 2015 amounts to $1,916,709.

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

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

- Kennedy Wilson
- Lyrical-Antheus
- Mesirow Value
- Alinda Infrastructure
- JP Morgan AIRRO
- CM Growth
- Portfolio Advisors
- Morgan Stanley

Approximately $3.5 million in investment advisory fees are included in the amount reported for income from investment securities for the fiscal year ending June 30, 2015 and is accounted for as a part of the income from investment securities in the Statement of Revenues, Expenses, and Changes in Net Position. Additionally, these amounts are reflected in the carrying value on the Statement of Net Position.

Note 3. Deposits and Investments - Continued

C. Investments – Continued

The State Treasurer is the custodian of the State's cash and cash equivalents for the Illinois Prepaid Tuition Program maintained in the State Treasury. Amounts on deposits in the custody of the State Treasurer totaled $4,073,725 at June 30, 2015. These deposits are pooled and invested with other State funds in accordance with the Deposits of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been addressed as to custodial credit risk because the Illinois Prepaid Tuition Program does not own individual securities. Funds held by the State Treasurer are not rated for credit risk and the interest rate risk cannot be determined because the weighted average maturity information for these amounts is not available for individual funds. Details on the nature of these deposits and investments, along with risk disclosures, are available within the State of Illinois' Comprehensive Annual Financial Report.

Interest Rate Risk

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

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

Fixed Income Portfolio Manager	Portfolio Average Duration	Barclays U.S. Aggregate Bond Index	Barclays Capital Int. Government/ Credit Index
Income Research Management	3.8 Years	N/A	3.9 Years
SSGA U.S. Aggregate Bond Index (Common collective trust)	5.6 Years	5.6 Years	N/A
T. Rowe Price	5.4 Years	5.6 Years	N/A

Note 3. Deposits and Investments - Continued

C. Investments - Continued

Portfolio Weighted Average Maturity

Investment Type	Fair Value	Weighted Average Maturity (in Years)
U.S. treasury notes	$ 16,294,288	4.80
U.S. treasury bonds	4,640,383	24.62
U.S. agency obligations	4,360,649	1.37
Index linked government bonds (U.S. Treasuries)	2,480,009	7.24
Non U.S. Index linked government bonds denominated in foreign currency	292,865	19.22
Bond common collective trust	70,458,480	7.89
Municipal/provincial bonds	4,202,464	8.11
Non U.S. government bonds denominated in U.S. dollars	225,126	9.40
Non U.S. government bonds denominated in foreign currency	592,372	14.90
Multi-sector funds	43,813,692	7.83
Corporate debt securities	27,174,816	5.88
U.S. agency asset-backed securities	5,862,714	16.85
Corporate asset-backed securities	11,593,609	4.90
Mortgage backed securities (MBS):		
Government agencies	4,276,778	14.02
Non-government backed	2,291,921	19.94
Commercial	11,969,313	31.02
Total Fair Value	**$ 210,529,479**	
Portfolio weighted average maturity		**9.3**

Note 3. Deposits and Investments - Continued

C. Investments – Continued

Credit Risk

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

- The weighted average credit quality of portfolio holding will not fall below A- or equivalent.
- No more than 20% of the portfolio will be invested in issues rated below Baa3 or BBB-, A2 or P2.
- No more than 10% in non-U.S. securities (dollar and non-dollar) rated below investment grade.
- Should a security be downgraded to a rating of "B" or below, the investment manager will determine the appropriate action (sell or hold) based on the perceived risk and expected return of the position and will inform the CIO and the Investment Consultant in writing of the action taken.

The following tables indicate credit ratings, as of June 30, 2015, for the Program's debt security investments (other than obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government which are not considered to have credit risk). Ratings for debt security investments that have multiple ratings are on the following page:

Credit Ratings (Excludes Multiple-Rated Securities)
June 30, 2015

	Total Fair Value	Moody's *
Money market mutual funds	$ 10,153,074	NR
Illinois Funds	314,523	NR
U.S. agency obligations	4,360,649	Aaa
Bond common collective trust	70,458,480	NR
Multi-sector funds	43,813,692	NR
Non U.S. Government Bonds denominated in U.S. dollars	225,126	Baa

*NR - not rated

Note 3. Deposits and Investments - Continued

C. Investments – Continued

Credit Ratings (Multiple-Rated Securities), continued
June 30, 2015

Rating Agency	Investment Type	Credit Rating*	Fair Value
Moody's:	Commercial Mortgage-Backed	Aaa	$ 4,212,530
	Commercial Mortgage-Backed	Aa	890,912
	Commercial Mortgage-Backed	A	1,695,620
	Commercial Mortgage-Backed	Baa	465,744
	Commercial Mortgage-Backed	Ba	889,623
	Commercial Mortgage-Backed	NR	3,814,884
			11,969,313
Moody's:	Corporate Asset Backed Securities	Aaa	6,229,265
	Corporate Asset Backed Securities	Aa	418,592
	Corporate Asset Backed Securities	A	301,047
	Corporate Asset Backed Securities	Baa	246,186
	Corporate Asset Backed Securities	Ba	99,630
	Corporate Asset Backed Securities	Caa	26,063
	Corporate Asset Backed Securities	NR	4,272,826
			11,593,609
Moody's:	Corporate Bonds	Aaa	290,271
	Corporate Bonds	Aa	330,838
	Corporate Bonds	A	7,976,594
	Corporate Bonds	Baa	17,639,951
	Corporate Bonds	NR	937,162
			27,174,816
Moody's:	Municipal/Provincial Bonds	Aaa	409,824
	Municipal/Provincial Bonds	Aa	1,430,555
	Municipal/Provincial Bonds	A	1,205,098
	Municipal/Provincial Bonds	NR	970,914
	Municipal/Provincial Bonds	WR	186,073
			4,202,464
Moody's:	Non-Government Backed C.M.O.s	Baa	136,897
	Non-Government Backed C.M.O.s	Ba	246,592
	Non-Government Backed C.M.O.s	B	368,663
	Non-Government Backed C.M.O.s	Caa	1,321,021
	Non-Government Backed C.M.O.s	NR	218,748
			2,291,921

Note 3. Deposits and Investments - Continued

C. Investments – Continued

Credit Ratings (Multiple-Rated Securities), continued
June 30, 2015

Rating Agency	Investment Type	Credit Rating*	Fair Value
Moody's:	Non-U.S. Government Bonds in foreign currency	A	$ 414,193
	Non-U.S. Government Bonds in foreign currency	Baa	178,179
			592,372
Moody's:	Non-U.S. Index Linked Government Bonds in foreign currency	A	188,825
	Non-U.S. Index Linked Government Bonds in foreign currency	Baa	104,040
			292,865
Moody's:	U.S. Agency Asset Backed	Aaa	5,366,123
	U.S. Agency Asset Backed	NR	496,591
			5,862,714
Moody's:	Mortgage Backed Securities - government agencies	Baa	1,001,135
	Mortgage Backed Securities - government agencies	NR	3,275,643
			4,276,778

*N/R – not rated, WR – withdrawn

Custodial Credit Risk

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

The Illinois Prepaid Tuition Program is not exposed to custodial credit risk at June 30, 2015.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer.

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

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

Note 3. Deposits and Investments - Continued

C. Investments - Continued

As of June 30, 2015, there were no investments subject to concentration of credit risk.

Foreign Currency Risk

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

The Illinois Prepaid Tuition Program's investments in international equity are in compliance with the guidelines of the investment policy. As of June 30, 2015, 17.19% is invested in international equities. Certain alternative investments also hold investments located outside of the United States. Fluctuations in foreign exchange rates between the U.S. dollar and other currencies could have an effect on the amounts realized in U.S. dollars involving these investments. The Program has the following investments denominated in foreign currency.

Foreign Currency Denomination	Equity	Cash and cash equivalents - equity investments	Fixed income	Cash and cash equivalents - fixed income investments	Totals
Australian dollar	$ 7,696,932	$ 2	$ -	$ (413,501)	$ 7,283,433
Brazilian real	897,428	95	104,039	-	1,001,562
British pound sterling	32,738,227	559,821	-	-	33,298,048
Canadian dollar	2,618,420	6,732	-	-	2,625,152
Czech koruna	2,907	-	-	-	2,907
Danish krone	1,804,245	(1)	-	-	1,804,244
Euro	41,164,190	197,523	-	(172,750)	41,188,963
Hong Kong dollar	12,660,739	26,940	-	-	12,687,679
Indonesian rupiah	862,122	-	-	-	862,122
Japanese yen	16,002,376	579	-	(91,129)	15,911,826
Malaysian ringgit	3,623,864	-	-	-	3,623,864
Mexican peso	-	-	603,018	80,078	683,096
New Israeli shekel	1,372,053	47,529	-	-	1,419,582
Norwegian krone	2,878,694	4	-	-	2,878,698
Singapore dollar	4,251,917	-	-	-	4,251,917
South African rand	-	83	178,180	(177,024)	1,239
Swedish krona	8,169,839	(8)	-	-	8,169,831
Swiss franc	15,894,251	66,293	-	-	15,960,544
Thai baht	620,398	-	-	-	620,398
Total	$ 153,258,602	$ 905,592	$ 885,237	$ (774,326)	$ 154,275,105

Note 4. Note Receivable

The Illinois Prepaid Tuition Fund had a private equity investment in the Camelot Secondary Fund since fiscal year 2010. In fiscal year 2014 the general partner of the Camelot Secondary Fund was removed. The Camelot limited partners installed a new general partner and the fund was renamed as CM Growth Capital Partners, L.P. As a part of the reorganization and with authorization from ISAC's Commission the Illinois Prepaid Tuition Fund loaned CM Growth Capital Partners, L.P. $750,000 to pay for expenses associated with the reorganization of the fund. A promissory note was funded for $439,025 on August 19, 2014 and $310,975 on November 7, 2014. The balance sheet of the Illinois Prepaid Tuition Fund as of June 30, 2015 includes a receivable for $1 million consisting of principal and accrued interest.

The amount of $1.03 million was repaid in full on August 17, 2015.

Note 5. Balance Due to Other ISAC Fund

As of June 30, 2015, the Illinois Prepaid Tuition Program owed $204,472 to the Student Loan Operating Fund for expense reimbursements.

Note 6. Personnel Cost Allocation

Based on a revised cost allocation policy, beginning in FY13, all payroll-related costs are paid out of the Student Loan Operating Fund. This includes salary, benefits, and any vacation or sick payout should they be incurred. On a monthly basis, College Illinois is charged back for the related hours worked and costs incurred.

Note 7. Tuition Obligation

The tuition obligation is management's estimate of the present value of the estimated tuition payments to be made and is expected to be financed from investments of prepaid tuition contracts. The estimate for the future tuition obligation is based on a closed group projection for existing contracts assuming no new contract sales after June 30, 2015. See actuarial assumptions and additional information in Note 11.

Tuition obligation activity for the year ended June 30, 2015 is as follows:

Balance July 1, 2014	$ 1,446,655,442
Add:	
Contributions received in FY2015	32,810,932
Change in contracts receivable, at present value*	(16,224,129)
Adjust tuition obligation based on actuarial valuation	(4,636,714)
Less:	
Return of contributions	(18,236,533)
Tuition payments	(120,167,041)
Balance June 30, 2015**	$ 1,320,201,957
Reported as:	
Current	$ 163,506,101
Noncurrent	1,156,695,856
	$ 1,320,201,957

*See Note 11. Discount rate used in determining present value was 7%.

Note 7. Tuition Obligation (Continued)

**The accreted tuition expense is calculated at least annually by the Commission's actuary and is an estimate based on the average increase in tuition for Illinois colleges. Tuition and fee increases that were less than expected and the change in assumptions and methods contributed to the decrease in the tuition obligation compared to the balance at June 30, 2014. Accreted tuition expense is reflected as an expense in the Statement of Revenues, Expenses, and Changes in Net Position and as an increase (or decrease) to the tuition obligation on the Statement of Net Position.

Note 8. Pension Plan

A majority of ISAC's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined/benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2015 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2015. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois 62794-9255.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Commission pays employer retirement contributions for the Illinois Prepaid Tuition Program based upon an actuarially determined percentage of its payroll. For fiscal years 2015, 2014, and 2013, the employer contribution rate was 42.3%, 40.3%, and 38.0%, respectively. The required and actual contribution for fiscal years 2015, 2014, and 2013 was $362,333, $498,458, and $451,140, respectively. The net pension liability related to the SERS pension plan are recorded by the Commission's Student Loan Operating Fund.

Note 9. Post-employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits in accordance with Public Act 97-0695.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis.

The total costs incurred and related liabilities for health, dental, vision, and life insurance benefits are not separated by department, fund or component unit for annuitants and their dependents nor active employees and their dependents.

Note 9. Post-employment Benefits (Continued)

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements, including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois 62763-3838.

Note 10. Fund Deficits

As of June 30, 2015, the Illinois Prepaid Tuition Program has a deficit in net position of $236,113,466. The table below details a reconciliation of the fund deficit in the financial statements to the fund deficit in the Actuarial Soundness Report as of June 30, 2015.

Reconciliation of Fund Deficit with Unfunded Liability in the Actuarial Report

Unfunded liability per actuarial soundness report	$ (292,111,181)
Present value of accrued future administrative expense	57,116,212
Other accrued liabilities	(1,118,497)
Fund deficit per Statement of Net Position	$ (236,113,466)

Note 11. Program Risks and Actuarial Data

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

Gabriel, Roeder, Smith and Company, the independent actuarial firm retained by *College Illinois!* ®, has performed an actuarial soundness valuation of *College Illinois!*®, the State's section 529 prepaid tuition program, as of June 30, 2015 to evaluate the financial viability of the Program as of June 30, 2015. The complete Actuarial Soundness Report as of June 30, 2015 is included in the Other Information Section.

The Program is not supported by the full faith and credit of the State of Illinois, nor is it guaranteed by the State's general fund. The Program is a moral obligation of the State of Illinois requiring the Governor to request an appropriation from the State General Assembly in case the Commission and the Governor determine that the Program does not have adequate assets to meet its contractual obligations in an upcoming fiscal year. While the General Assembly has fulfilled other moral obligations of the State of Illinois in the past, it is not obligated to appropriate, and no assurances can be made that the General Assembly will appropriate sufficient moneys to meet the Program's contractual obligations.

If it is determined by the Commission, with the concurrence of the Governor, that the Program is financially infeasible, the Commission may prospectively discontinue the Program. Pursuant to the prepaid tuition statute, if the Program is discontinued, beneficiaries who are or will enroll within five years at an eligible institution shall be entitled to exercise the complete benefits specified in the contract; all other contract holders shall receive an appropriate refund of all contributions and accrued interest up to the time the Program is discontinued.

Note 11. Program Risks and Actuarial Data - Continued

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

APV of future benefits obligation*	$ 1,320,201,957
Funded ratio	78.80 %
Actuarial assumptions:	
Actuarial valuation date	June 30, 2015
Assumed net investment return	7.00 %
Rates of cancellations	Varies according to years from projected college entrance year
Tuition increases by contract type:	
Legacy:	
Through June 30, 2017	6.50 %
June 30, 2018 through June 30, 2022	5.75
June 30, 2023 and beyond	5.00
University Plus:	
Through June 30, 2017	6.50 %
June 30, 2018 through June 30, 2022	5.75
June 30, 2023 and beyond	5.00
University:	
Through June 30, 2017	6.50 %
June 30, 2018 through June 30, 2022	5.75
June 30, 2023 and beyond	5.00
Community College:	
Through June 30, 2017	6.50 %
June 30, 2018 through June 30, 2022	5.75
June 30, 2023 and beyond	5.00

* For all existing contracts as of June 30, 2015

The actuarial present value of the future benefits obligation decreased by approximately $126 million compared to the balance reported at June 30, 2014. Contributing to the overall decrease was tuition paid during the year.

Note 12. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and natural disasters. The State retains the risk of loss (i.e., self insured) for these risks except for insurance purchased by the Commission for the building and EDP equipment. There has been no reduction in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded coverage for the current or prior two years. The Commission's risk management activities for workers' compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the general fund of the State. The claims are not considered to be a liability of the Commission and, accordingly, have not been reported in the Commission's financial statements for the year ended June 30, 2015.

Note 13. New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements:

GASB Statement No. 72, *Fair Value Measurement and Application*, will be effective for the Commission with its year ended June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Nos. 67 and 68*, will be effective for the Commission beginning with its year ended June 30, 2017, except those provisions that amend provisions of Statements 67 and 68, which are effective for the Commission beginning with its year ended June 30, 2016. This Statement will establish requirements for deferred benefit pensions that are not within the scope of Statement No. 68. It also amends provisions of Statements 67 and 68.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for the Commission beginning with its year ended June 30, 2017. This Statement establishes guidance for reporting OPEB plans that administer benefits on behalf of governmental entities. This Statement also addresses financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the Commission beginning with its year ended June 30, 2018. This Statement addresses accounting and financial reporting for OPEB that is provided to employees of State and local governmental employers.

Management has not yet completed its assessment of the impact this Statement may have on the financial statements.

OTHER INFORMATION

Gabriel Roeder Smith & Company
Consultants & Actuaries

COLLEGE ILLINOIS!® PREPAID TUITION PROGRAM
ACTUARIAL SOUNDNESS VALUATION REPORT
AS OF JUNE 30, 2015

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Consultants & Actuaries
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October 29, 2015

Mr. Eric Zarnikow
Executive Director
Illinois Student Assistance Commission
James R. Thompson Center
100 West Randolph, Suite 3-200
Chicago, IL 60601-3293

Re: College Illinois!® Prepaid Tuition Program Actuarial Valuation as of June 30, 2015

Dear Mr. Zarnikow:

In accordance with the request of the Illinois Student Assistance Commission ("ISAC"), Gabriel, Roeder, Smith & Company ("GRS") has performed an actuarial soundness valuation of the College Illinois!® Prepaid Tuition Program ("CIPTP") as of June 30, 2015. Although the term "actuarial soundness" is not specifically defined, the primary purpose of this actuarial valuation is to evaluate the financial status of the program as of June 30, 2015.

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

- A comparison of the actuarial present value of the obligations for prepaid tuition contracts purchased through June 30, 2015, with the value of the assets associated with the program as of that same date;
- An analysis of the factors which caused the deficit/surplus to change since the prior actuarial valuation; and
- A summary of the actuarial assumptions and methods utilized in the actuarial calculations.

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

The valuation results set forth in this report are based upon data and information, furnished by ISAC, concerning program benefits, financial transactions and beneficiaries of the CIPTP. We reviewed this information for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the Illinois Student Assistance Commission. Further, the data and information provided is through June 30, 2015, and do not reflect subsequent market volatility.

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The actuarial assumptions used in this analysis were based on an experience review for the period from July 1, 2011, to June 30, 2014, and were adopted for use commencing with the June 30, 2015, valuation.

Given the current asset allocation and liquidity requirements, the net investment rate of return assumption of 7.00 percent, appears to be consistent with applicable Actuarial Standards of Practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law. We have performed an analysis of the sensitivity of certain changes in future assumptions.

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

To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the College Illinois!® Prepaid Tuition Program as of June 30, 2015. All calculations have been made in conformity with generally accepted actuarial principles and practices commonly applicable to similar types of arrangements.

There are currently no Actuarial Standards of Practice which specifically relate to prepaid tuition plans. We have looked to the Actuarial Standards of Practice related to pensions for guidance due to their similar nature.

Lance Weiss, Paul Wood and Alex Rivera are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

The signing actuaries are independent of ISAC.

Respectfully submitted,

Gabriel, Roeder, Smith and Company

Lance J. Weiss

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SECTION A

EXECUTIVE SUMMARY

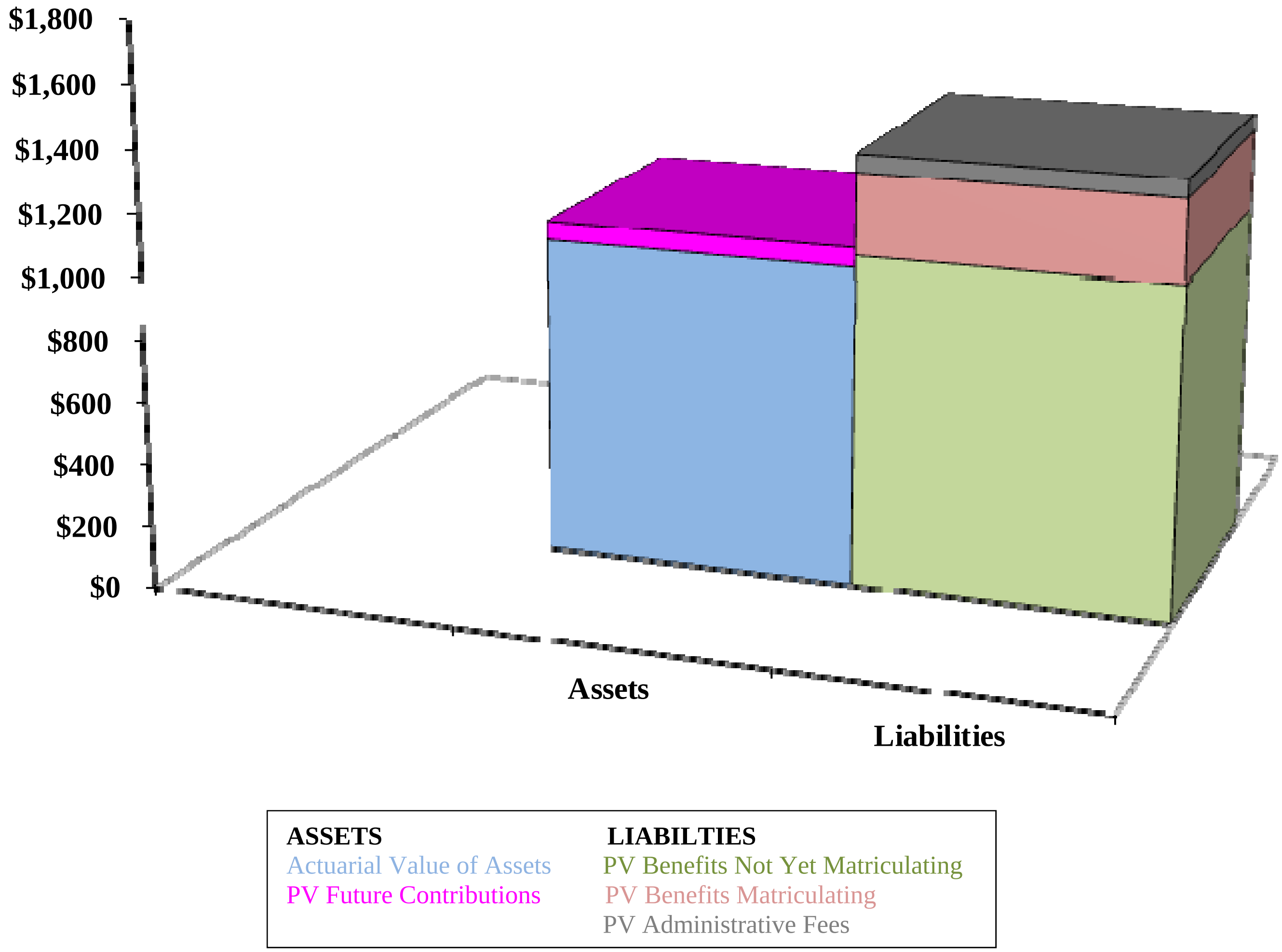
SUMMARY OF RESULTS

Principal Valuation Results

Valuation Date:	June 30, 2015	June 30, 2014
Membership Summary:		
Counts		
Not yet Matriculating	31,194	34,125
Matriculating	12,385	11,713
Total	43,579	45,838
Average years until Enrollment if Not yet Matriculating	4.7	5.0
Assets [1]		
· Actuarial Value of Assets (AVA)	$1,085,206,988	$1,172,353,201
· Estimated Return [2]	3.90%	11.28%
Actuarial Liabilities (Present Value of Future Tuition Payments, Fees, and Administrative Expenses)	$1,377,318,169	$1,500,535,374
Unfunded Liabilities	$292,111,181	$328,182,173
Funded Ratio	78.8%	78.1%

[1] *Asset values include present value of expected future contributions from current members.*
[2] *The estimated return was determined using the market value of assets due to the change in the asset valuation method.*

SUMMARY OF ASSETS AND LIABILITIES AS OF JUNE 30, 2015
$ IN MILLIONS



Funded Status as of June 30, 2015 (Based on Actuarial Value of Assets)

	June 30, 2015
Actuarial Present Value of Future Tuition Payments, Fees and Expenses	$1,377,318,169
Actuarial Value of Assets (Including the Present Value of Installment Contract Receivables)	$1,085,206,988
Deficit/(Surplus) as of June 30, 2015	$292,111,181

Gain/Loss Summary

	Unfunded Liability (Market Value of Assets)
Value at June 30, 2014	$ 328,182,173
Expected Value at June 30, 2015	$ 346,104,498
(Gain)/Loss Due to:	
Investment Experience	$ 31,916,454
Change in Assumptions and Methods	(49,845,761)
Tuition/Fee Inflation	(47,420,647)
Other Demographic Experience*	11,356,637
Total	$ (53,993,317)
Actual Value at June 30, 2015	$ 292,111,181

**Other Demographic Experience includes deviations in actual participant experience from our assumptions related to rates of participant deaths and disabilities, rates of separation from active membership, rates of enrollment and utilization of benefits.*

Additional Details on the development of the Expected Value at June 30, 2015, can be found on Page 10.

DISCUSSION

Actuarial Valuation

Gabriel, Roeder, Smith & Company ("GRS") has performed an actuarial soundness valuation of the College Illinois!® Prepaid Tuition Program ("CIPTP") as of June 30, 2015.

The primary purposes of the actuarial soundness valuation are to:

- Determine the actuarial present value of the obligations for prepaid tuition contracts purchased through June 30, 2015, and compare such liabilities with the value of the assets associated with the program as of that same date; and
- Analyze the factors which caused the deficit/surplus to change since the prior actuarial valuation.

This report summarizes those results and, strictly for illustrative purposes, also presents the results of (1) a closed group business model and (2) alternative open group business models. Finally, the report also presents the impact of variances in the rate of tuition and fee increases as well as the rate of investment return on assets.

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

The actuarial assumptions and methods used for this June 30, 2015, actuarial soundness valuation were based on an experience review for the period from July 1, 2011, to June 30, 2014, and were adopted for use commencing with the June 30, 2015, valuation.

On October 17, 2014, CIPTP announced reduced pricing for purchasers of new contracts. In addition, price adjustments were made to certain existing CIPTP contract holders who purchased prepaid plans after October 2010. This June 30, 2015, actuarial soundness valuation takes into account such reduced pricing as well as the price adjustments made to certain existing contract holders.

Background

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

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

The first CIPTP contracts were offered for sale in 1998. As of June 30, 2015, the CIPTP had 43,579 contracts in force.

Actuarial Assumptions

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

Key Actuarial Assumptions – Changes Since Prior Valuation

An experience review of the actuarial assumptions used in the annual actuarial soundness valuation of the College Illinois!® Prepaid Tuition Program for the period July 1, 2011, to June 30, 2014, was performed. The primary purpose of the study was to determine the continued appropriateness of the actuarial assumptions by comparing actual experience to expected experience. Our study was based on census information as provided by ISAC and annual actuarial soundness valuations for the period from July 1, 2011, to June 30, 2014.

Following is a summary of our key findings and recommendations, as approved by ISAC.

- **Price inflation**: Maintain the rate of price inflation of 3.00 percent.
- **Investment return**: Maintain the current investment return assumption of 7.00 percent, net of investment expenses.
- **Tuition and fee increases**: Maintain the current "select and ultimate" rate increase structure.
- **Rates of cancellation before and after projected college entrance year:** Updated this assumption based on recent experience. Furthermore, it is assumed that a 100 percent of contract holders will cancel their contracts ten years after their projected college entrance date if the contract has not been used by that point.
- **Probability of matriculation at or beyond projected college entrance year:** Updated and simplified this assumption based on recent experience.
- **Utilization of benefits that applies both to contracts in and not yet in payment status:** Lowered the assumed number of credit hours used by beneficiaries.
- **Mortality and Disability**: Maintain the current assumption of no provision for death and disability.
- **Weighted Average Tuition and Bias Load**: Maintain the methodology to calculate the Weighted Average Tuition. Furthermore, the Bias Loads were modified to better track recent experience.
- **Administrative Expenses**: Maintain the current basis for determining the level of administrative expenses used in the Actuarial Soundness Valuation. The growth rate of administrative expenses was lowered to be consistent with the price inflation assumption.
- **Truth in Tuition**: Maintain the current assumption pertaining to Truth in Tuition for beneficiaries who attend school for no more than four years. For those beneficiaries that attend school beyond four years, the amount charged was modified to the amount charged the year after they first enrolled.
- **Asset Valuation Method**: The use of asset smoothing was eliminated and the actuarial value of assets was set to the market value of assets.

ISAC approved these assumptions for use in the June 30, 2015, actuarial soundness valuation. The impact of the change in assumptions and methods is shown in Exhibit II on Page 10.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law. We have performed an analysis of the sensitivity of certain changes in assumptions.

Financial Status of Program as of June 30, 2015

As of June 30, 2015, the present value of all future tuition obligations under contracts outstanding (and including future administrative expenses) at that date is $1,377,318,169. Fund assets as of June 30, 2015, including the market value of program assets and the present value of installment contract receivables, is $1,085,206,988.

The difference between the present value of future tuition obligations and the value of assets as of June 30, 2015, represents a program deficit of $292,111,181. The comparable program deficit as of the last valuation as of June 30, 2014, was $328,182,173.

Gain/Loss Analysis

As described above, the program deficit decreased from $328.2 million as of June 30, 2014, to $292.1 million as of June 30, 2015. Based on the actuarial assumptions used during the June 30, 2014, actuarial soundness valuation, the deficit was expected to increase to $346.1 million. The primary factors which caused the expected deficit to decrease by $54.0 million include tuition and fee increases that were less than expected and the change in assumptions and methods. These gains were partially offset by losses due to investment returns that were less than expected and other demographic experience which includes deviations in actual participant experience from our assumptions related to rates of separation from active membership and rates of enrollment and utilization of benefits.

The funded ratio increased from 78.1 percent as of June 30, 2014, to 78.8 percent as of June 30, 2015.

Benefit Provisions

The basic terms and conditions of the College Illinois!® Prepaid Tuition Program (the "Program") are included in the Illinois Prepaid Tuition Act, 110 ILCS 979 (the "Act") and ISAC Administrative Rules (23 Ill. Adm. Code 2775, et. seq.) ("ISAC Rules").

We understand there were no changes in the program provisions since the last actuarial valuation as of June 30, 2014.

Assets

CIPTP assets are held in trust. ISAC provided the asset information used in the June 30, 2015, actuarial valuation.

This report contains several exhibits summarizing the plan's assets, including a summary of the market value of assets broken down by asset category and a reconciliation of the assets from the last valuation date to the current valuation date. The approximate return on market value of assets was 3.90 percent for the year ended June 30, 2015.

Commencing with the June 30, 2015, valuation, the actuarial value of assets is equal to the market value of assets.

Closed Group Business Model (Run-Off Scenario)

While the closing of the program has not occurred, in Exhibit IV, we have provided a closed group projection (i.e., run off scenario) for illustration purposes assuming no new contract sales after June 30, 2015. Under this scenario, member payments, fund principal and investment income are projected to be insufficient to make the required tuition payments by the year 2025 and additional funds will be required to maintain solvency ($684 million for the period 2025 to 2051). Under this scenario, the shortfall is expected to grow from the current level of $292 million until it reaches a high of $538 million in 2024.

Open Group Ongoing Business Scenarios

Exhibits V, VI, VII and VIII present the results of an open group scenario assuming the sale of additional new contracts. The alternative open group scenarios included in this section of the report (the sale of 500, 1,000, 1,500 and 2,500 new contracts each year) were provided to us by ISAC and are presented for illustrative purposes only. Because there are many factors that may impact the decision to purchase a new contract including but not limited to contract prices, expected future tuition cost increases, competing savings vehicles, etc., it is very difficult to assess the likelihood of selling a particular number of contracts. Therefore, GRS is unable to judge the reasonableness of these new contract sales scenarios. Please refer to Page 22 in this report for a summary of historical contract sales.

Exhibits V and VI illustrate the program results based on an investment return assumption of 7.00 percent and an assumption of 500 and 1,000 new contract sales each year. Under these more conservative new contract sales assumptions, member payments, fund principal and investment income are projected to be insufficient to make the required tuition payments and additional funds will be required for a period of time.

Exhibit VII illustrates the program results based on an investment return assumption of 7.00 percent and an assumption of 1,500 new contract sales each year. Under this new contract sales assumption, the CIPTP funded status is projected to decrease to 54 percent in 2030 and gradually increase to 78 percent in 2050.

Exhibit VIII illustrates the program results based on an investment return assumption of 7.00 percent and an assumption of 2,500 new contract sales each year. Under this new contract sales assumption, the CIPTP funded status is projected to stay fairly level at around 78 to 83 percent for a number of years before gradually improving to 100 percent in 2036.

The level of contribution premium over the expected costs can significantly impact the number of new contract future sales. The projection scenarios are for illustrative purposes only and do not consider how increases in contract costs can impact future sales.

Contract Prices

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

Contracts Sold by Enrollment Year

The chart on Page 22 in Section D illustrates the number of contracts sold by enrollment year.

As this chart indicates, the number of contracts sold has decreased significantly during the last five enrollment years from the number sold per year in previous years. The average annual number of contracts sold during the period 1999 to 2010 was 5,236; whereas the average annual number of contracts sold during the last five year period 2010 to 2015 was 598 including 2011/2012 when the plan was not open for new contract sales, or 748 excluding 2011/2012 when the plan was not open for new contract sales.

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

SECTION B

VALUATION RESULTS

Exhibit I
Principal Valuation Results

Valuation Date:	**June 30, 2015**	**June 30, 2014**
1 Number of Members		
a. Not yet Matriculating:	31,194	34,125
b. Matriculating:	12,385	11,713
c. Total	43,579	45,838
Average Years until Enrollment if Not Yet Matriculating	4.7	5.0
2 Assets		
a. Market Value of Assets (in Trust)	$ 1,025,385,432	$ 1,096,307,516
b. PV Future Member Contributions	59,821,556	76,045,685
c. Total Actuarial Value of Assets (AVA) (2a + 2b)	$ 1,085,206,988	$ 1,172,353,201
3 Actuarial Results		
Liabilities		
a. Not yet Matriculating - Tuition and Fees	$ 1,062,457,974	$ 1,202,693,448
b. Matriculating - Tuition and Fees	257,743,983	243,961,994
c. Present Value of Future Administrative Expenses	57,116,212	53,879,932
d. Total	$ 1,377,318,169	$ 1,500,535,374
Unfunded Liability	$ 292,111,181	$ 328,182,173
Funded Ratio	78.8%	78.1%

Exhibit II
Gain/Loss Summary

	Present Value of Benefits	Market Value of Assets	Unfunded Liability
1. Values at June 30, 2014	$ 1,500,535,374	$1,172,353,201	$ 328,182,173
2. Actual Tuition Payments, Refunds, and Administrative Expenses	$ (144,739,442)	$ (144,739,442)	$ -
3. Interest on 1. and 2. at 7.00%	$ 100,057,275	$ 77,084,523	$ 22,972,752
4. New Contracts	$ 15,200,234	$ 20,250,661	$ (5,050,427)
5. Projected Values at June 30, 2015 (1. + 2. + 3. + 4.)	$ 1,471,053,441	$ 1,124,948,943	$ 346,104,498
6. (Gain)/Loss Due to:			
Investment Experience	$ -	$ 31,916,454	$ 31,916,454
Change in Assumptions and Methods	(52,491,873)	2,646,111	(49,845,761)
Tuition/Fee Inflation	(47,420,647)	-	(47,420,647)
Other Demographic Experience*	6,177,247	5,179,390	11,356,637
Total	$ (93,735,273)	$ 39,741,955	$ (53,993,317)
7. Actual Values at June 30, 2015 (5. + 6.)	$ 1,377,318,169	$ 1,085,206,988	$ 292,111,181

**Other Demographic Experience includes deviations in actual participant experience from our assumptions related to rates of participant deaths and disabilities, rates of separation from active membership, rates of enrollment and utilization of benefits.*

Exhibit III
Gain and Loss History

	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015
Unfunded Liability at Prior Valuation Date	$ 531,271,895	$ 536,337,123	$ 467,404,585	$ 448,506,323	$ 328,182,173
Projected Unfunded Liability at Valuation Date	$ 548,401,665	$ 585,357,342	$ 491,441,672	$ 474,596,839	$ 346,104,498
(Gain)/Loss Due to:					
Investment Experience	$ (82,811,259)	$ 50,941,188	$ (13,003,926)	$ (44,221,698)	$ 31,916,454
Change in Assumptions	112,715,224	(81,435,163)	24,441,468	(53,755,927)	(49,845,761)
Tuition/Fee Inflation*	N/A	N/A	(66,164,363)	(45,359,154)	(47,420,647)
Other Demographic Experience	(41,968,507)	(87,458,782)	11,791,472	(3,077,887)	11,356,637
Total	$ (12,064,542)	$ (117,952,757)	$ (42,935,349)	$ (146,414,666)	$ (53,993,317)
Unfunded Liability at Valuation Date	$ 536,337,123	$ 467,404,585	$ 448,506,323	$ 328,182,173	$ 292,111,181

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

Exhibit IV
Closed Group Business Model (Run Off Scenario) – Current Year Assumptions

Closed Group Projections (No New Contracts)
Projection Based on Data as of June 30, 2015
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2015
7.00% Assumed Net Investment Return
0 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[1]	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2015			33,221,359	0	137,976,098	6,763,344	40,595,999	1,025,385,432	59,821,556	1,085,206,988	1,320,201,957	57,116,212	1,377,318,169	292,111,181	78.8%
2016	7.00%	0	18,270,942	0	163,506,101	5,951,743	66,485,439	940,683,970	45,109,455	985,793,425	1,243,484,021	54,957,817	1,298,441,838	312,648,413	75.9%
2017	7.00%	0	12,937,171	0	157,378,831	6,145,174	60,577,339	850,674,475	34,884,803	885,559,278	1,167,733,907	52,448,246	1,220,182,153	334,622,875	72.6%
2018	7.00%	0	10,601,619	0	158,628,037	6,284,385	54,146,335	750,510,007	26,360,339	776,870,346	1,085,389,078	49,619,005	1,135,008,083	358,137,737	68.4%
2019	7.00%	0	8,442,663	0	160,149,575	6,364,871	47,003,188	639,441,412	19,472,404	658,913,816	995,706,203	46,508,461	1,042,214,664	383,300,848	63.2%
2020	7.00%	0	6,054,475	0	152,765,915	6,383,718	39,402,568	525,748,822	14,572,675	540,321,497	907,383,229	43,160,685	950,543,914	410,222,417	56.8%
2021	7.00%	0	4,665,555	0	146,037,537	6,339,763	31,632,506	409,669,583	10,766,675	420,436,258	819,837,533	39,624,030	859,461,563	439,025,305	48.9%
2022	7.00%	0	4,279,801	0	145,372,001	6,233,689	23,520,465	285,864,159	7,093,282	292,957,441	726,852,073	35,949,535	762,801,608	469,844,167	38.4%
2023	7.00%	0	3,090,906	0	142,096,261	6,068,009	14,932,923	155,723,718	4,392,553	160,116,271	630,746,085	32,189,204	662,935,289	502,819,018	24.2%
2024	7.00%	0	1,984,274	0	136,649,501	5,846,986	5,982,733	21,194,238	2,647,483	23,841,721	533,546,855	28,394,279	561,941,134	538,099,413	4.2%
2025	7.00%	0	1,092,345	108,437,323	125,864,177	5,576,442	716,713	0	1,702,876	1,702,876	440,700,113	24,613,562	465,313,675	463,610,799	0.4%
2026	7.00%	0	690,430	120,267,101	115,748,930	5,208,601	0	0	1,107,891	1,107,891	351,817,401	20,948,693	372,766,094	371,658,203	0.3%
2027	7.00%	0	585,354	103,143,119	98,966,020	4,762,453	0	0	579,948	579,948	274,073,290	17,488,781	291,562,071	290,982,123	0.2%
2028	7.00%	0	347,147	86,624,855	82,711,267	4,260,735	0	0	261,453	261,453	207,701,152	14,305,658	222,006,810	221,745,357	0.1%
2029	7.00%	0	191,293	70,290,811	66,754,137	3,727,967	0	0	81,880	81,880	153,189,161	11,450,815	164,639,976	164,558,096	0.0%
2030	7.00%	0	84,697	54,733,216	51,629,510	3,188,403	0	0	0	0	110,506,379	8,954,263	119,460,642	119,460,642	0.0%
2031	7.00%	0	0	41,454,954	38,790,810	2,664,144	0	0	0	0	78,116,267	6,825,249	84,941,516	84,941,516	0.0%
2032	7.00%	0	0	30,521,077	28,347,453	2,173,624	0	0	0	0	54,261,548	5,054,603	59,316,151	59,316,151	0.0%
2033	7.00%	0	0	22,336,826	20,606,213	1,730,613	0	0	0	0	36,744,608	3,618,265	40,362,873	40,362,873	0.0%
2034	7.00%	0	0	15,877,326	14,550,554	1,326,772	0	0	0	0	24,265,509	2,499,120	26,764,629	26,764,629	0.0%
2035	7.00%	0	0	11,043,150	10,065,173	977,977	0	0	0	0	15,552,590	1,662,431	17,215,021	17,215,021	0.0%
2036	7.00%	0	0	7,412,800	6,720,812	691,988	0	0	0	0	9,689,203	1,063,003	10,752,206	10,752,206	0.0%
2037	7.00%	0	0	4,833,765	4,364,575	469,190	0	0	0	0	5,852,693	652,079	6,504,772	6,504,772	0.0%
2038	7.00%	0	0	3,090,398	2,786,132	304,266	0	0	0	0	3,380,381	382,989	3,763,370	3,763,370	0.0%
2039	7.00%	0	0	1,850,506	1,662,179	188,327	0	0	0	0	1,897,635	214,992	2,112,627	2,112,627	0.0%
2040	7.00%	0	0	1,046,832	935,829	111,003	0	0	0	0	1,062,440	115,219	1,177,659	1,177,659	0.0%
2041	7.00%	0	0	598,498	536,350	62,148	0	0	0	0	582,005	58,998	641,003	641,003	0.0%
2042	7.00%	0	0	355,398	321,353	34,045	0	0	0	0	290,335	27,912	318,247	318,247	0.0%
2043	7.00%	0	0	190,016	173,033	16,983	0	0	0	0	131,672	12,298	143,970	143,970	0.0%
2044	7.00%	0	0	93,212	85,510	7,702	0	0	0	0	52,437	5,192	57,629	57,629	0.0%
2045	7.00%	0	0	33,048	29,981	3,067	0	0	0	0	25,095	2,383	27,478	27,478	0.0%
2046	7.00%	0	0	16,370	14,902	1,468	0	0	0	0	11,437	1,031	12,468	12,468	0.0%
2047	7.00%	0	0	7,762	7,093	669	0	0	0	0	4,900	411	5,311	5,311	0.0%
2048	7.00%	0	0	3,523	3,236	287	0	0	0	0	1,896	144	2,040	2,040	0.0%
2049	7.00%	0	0	1,510	1,399	111	0	0	0	0	582	39	621	621	0.0%
2050	7.00%	0	0	527	493	34	0	0	0	0	113	6	119	119	0.0%

[1] *Additional contributions in the amount of $684,263,923 are needed over the years 2025 through 2050 to pay all benefits due.*

Exhibit V
Continuing Business Model – Current Year Assumptions – New Contract Sales of 500 Per Year

Open Group Projections (Continuing Business Scenario)
Projection Based on Data as of June 30, 2015
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2015
7.00% Assumed Net Investment Return
500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[2]	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2015			33,221,359	0	137,976,098	6,763,344	40,595,999	1,025,385,432	59,821,556	1,085,206,988	1,320,201,957	57,116,212	1,377,318,169	292,111,181	78.8%
2016	7.00%	500	18,270,942	0	163,506,101	5,951,743	66,485,439	940,683,970	60,438,989	1,001,122,959	1,255,293,456	55,133,501	1,310,426,957	309,303,998	76.4%
2017	7.00%	500	22,361,824	0	157,391,010	6,160,054	60,906,255	860,400,985	57,882,964	918,283,949	1,192,771,396	53,147,031	1,245,918,427	327,634,477	73.7%
2018	7.00%	500	22,118,078	0	158,937,861	6,344,855	55,217,307	772,453,654	56,323,079	828,776,733	1,124,880,667	51,556,447	1,176,437,114	347,660,381	70.4%
2019	7.00%	500	22,049,420	0	160,773,875	6,535,201	48,987,668	676,181,666	55,719,526	731,901,192	1,050,990,703	50,376,539	1,101,367,242	369,466,050	66.5%
2020	7.00%	500	21,846,696	0	153,909,574	6,731,257	42,474,922	579,862,453	56,344,521	636,206,974	979,720,834	49,612,056	1,029,332,890	393,125,916	61.8%
2021	7.00%	500	22,745,758	0	147,774,317	6,933,195	35,971,710	483,872,409	57,189,966	541,062,375	910,523,511	49,248,622	959,772,133	418,709,758	56.4%
2022	7.00%	500	23,911,699	0	147,947,617	7,141,191	29,279,870	381,975,170	58,068,757	440,043,927	837,061,221	49,259,252	886,320,473	446,276,547	49.6%
2023	7.00%	500	24,322,261	0	145,789,784	7,355,426	22,229,459	275,381,680	59,652,653	335,034,333	761,471,670	49,603,710	811,075,380	476,041,047	41.3%
2024	7.00%	500	24,730,025	0	141,728,911	7,576,089	14,916,593	165,723,298	62,063,407	227,786,705	685,625,414	50,236,095	735,861,509	508,074,804	31.0%
2025	7.00%	500	25,364,055	0	132,585,340	7,803,372	7,574,768	58,273,409	65,219,581	123,492,990	614,831,509	51,756,194	666,587,703	543,094,713	18.5%
2026	7.00%	500	26,509,037	45,671,654	124,387,225	8,037,473	1,970,598	0	68,613,930	68,613,930	548,442,992	53,988,069	602,431,061	533,817,131	11.4%
2027	7.00%	500	27,935,742	90,034,244	109,691,389	8,278,597	0	0	72,066,971	72,066,971	493,559,362	56,736,796	550,296,158	478,229,187	13.1%
2028	7.00%	500	29,271,140	74,901,659	95,645,844	8,526,955	0	0	75,778,607	75,778,607	450,387,581	59,789,613	510,177,194	434,398,586	14.9%
2029	7.00%	500	30,758,258	60,142,732	82,118,226	8,782,764	0	0	79,694,959	79,694,959	419,274,001	62,946,323	482,220,324	402,525,365	16.5%
2030	7.00%	500	32,354,150	46,233,008	69,540,911	9,046,247	0	0	83,704,608	83,704,608	400,069,997	66,028,117	466,098,114	382,393,506	18.0%
2031	7.00%	500	33,979,147	34,664,445	59,325,958	9,317,634	0	0	87,965,029	87,965,029	391,298,294	68,904,313	460,202,607	372,237,578	19.1%
2032	7.00%	500	35,721,950	25,426,979	51,551,766	9,597,163	0	0	92,378,265	92,378,265	391,169,065	71,497,673	462,666,738	370,288,472	20.0%
2033	7.00%	500	37,508,093	18,921,727	46,544,742	9,885,078	0	0	96,966,473	96,966,473	397,466,159	73,985,024	471,451,183	374,484,709	20.6%
2034	7.00%	500	39,362,149	14,287,213	43,467,732	10,181,630	0	0	101,858,445	101,858,445	408,779,907	76,249,175	485,029,082	383,170,637	21.0%
2035	7.00%	500	41,362,908	11,232,832	42,108,661	10,487,079	0	0	106,911,154	106,911,154	423,675,235	78,266,784	501,942,019	395,030,865	21.3%
2036	7.00%	500	43,404,150	9,158,339	41,760,798	10,801,691	0	0	112,307,496	112,307,496	441,513,353	80,084,635	521,597,988	409,290,492	21.5%
2037	7.00%	500	45,611,133	7,809,201	42,294,592	11,125,742	0	0	117,834,327	117,834,327	461,540,070	81,796,506	543,336,576	425,502,249	21.7%
2038	7.00%	500	47,829,757	7,142,932	43,513,175	11,459,514	0	0	123,840,823	123,840,823	483,458,294	83,514,345	566,972,639	443,131,816	21.8%
2039	7.00%	500	50,305,560	6,552,369	45,054,629	11,803,300	0	0	129,928,896	129,928,896	506,945,047	85,344,653	592,289,700	462,360,804	21.9%
2040	7.00%	500	52,741,164	6,329,887	46,913,652	12,157,399	0	0	136,535,311	136,535,311	532,067,100	87,369,778	619,436,878	482,901,567	22.0%
2041	7.00%	500	55,458,675	6,153,305	49,089,859	12,522,121	0	0	143,240,611	143,240,611	558,490,523	89,624,480	648,115,003	504,874,392	22.1%
2042	7.00%	500	58,141,220	6,245,306	51,488,741	12,897,785	0	0	150,477,160	150,477,160	586,361,397	92,157,013	678,518,410	528,041,250	22.2%
2043	7.00%	500	61,112,634	6,189,032	54,016,948	13,284,718	0	0	157,992,350	157,992,350	615,653,876	94,948,027	710,601,903	552,609,553	22.2%
2044	7.00%	500	64,153,702	6,232,959	56,703,401	13,683,260	0	0	165,899,450	165,899,450	646,425,318	97,982,247	744,407,565	578,508,116	22.3%
2045	7.00%	500	67,366,608	6,251,638	59,524,489	14,093,757	0	0	174,183,657	174,183,657	678,739,309	101,218,408	779,957,717	605,774,060	22.3%
2046	7.00%	500	70,723,625	6,290,612	62,497,667	14,516,570	0	0	182,896,346	182,896,346	712,674,079	104,625,093	817,299,172	634,402,826	22.4%
2047	7.00%	500	74,265,797	6,307,538	65,621,268	14,952,067	0	0	192,040,264	192,040,264	748,307,892	108,151,948	856,459,840	664,419,575	22.4%
2048	7.00%	500	77,978,105	6,324,380	68,901,856	15,400,629	0	0	201,641,879	201,641,879	785,723,566	111,751,245	897,474,811	695,832,932	22.5%
2049	7.00%	500	81,876,895	6,332,661	72,346,908	15,862,648	0	0	211,723,945	211,723,945	825,010,289	115,383,553	940,393,842	728,669,896	22.5%
2050	7.00%	500	85,970,155	6,332,980	75,964,607	16,338,528	0	0	222,310,234	222,310,234	866,260,666	119,024,651	985,285,317	762,975,083	22.6%

[1] *Additional contributions in the amount of $521,169,632 are needed over the years 2026 through 2050 to maintain solvency.*

Exhibit VI
Continuing Business Model – Current Year Assumptions – New Contract Sales of 1,000 Per Year

Open Group Projections (Continuing Business Scenario)
Projection Based on Data as of June 30, 2015
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2015
7.00% Assumed Net Investment Return
1,000 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions[2]	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2015			33,221,359	0	137,976,098	6,763,344	40,595,999	1,025,385,432	59,821,556	1,085,206,988	1,320,201,957	57,116,212	1,377,318,169	292,111,181	78.8%
2016	7.00%	1,000	18,270,942	0	163,506,101	5,951,743	66,485,439	940,683,970	75,778,187	1,016,462,157	1,267,110,337	55,133,501	1,322,243,838	305,781,681	76.9%
2017	7.00%	1,000	31,792,419	0	157,403,196	6,160,054	61,235,899	870,149,038	80,872,721	951,021,759	1,217,807,273	53,147,031	1,270,954,304	319,932,545	74.8%
2018	7.00%	1,000	33,627,716	0	159,247,863	6,344,855	56,291,658	794,475,694	86,316,974	880,792,668	1,164,395,306	51,556,447	1,215,951,753	335,159,085	72.4%
2019	7.00%	1,000	35,676,216	0	161,398,147	6,535,201	50,984,299	713,202,861	91,987,403	805,190,264	1,106,305,991	50,376,539	1,156,682,530	351,492,266	69.6%
2020	7.00%	1,000	37,646,799	0	155,053,932	6,731,257	45,579,357	634,643,828	98,104,413	732,748,241	1,052,071,322	49,612,056	1,101,683,378	368,935,137	66.5%
2021	7.00%	1,000	40,813,545	0	149,511,803	6,933,195	40,377,967	559,390,342	103,639,876	663,030,218	1,001,242,156	49,248,622	1,050,490,778	387,460,560	63.1%
2022	7.00%	1,000	43,560,398	0	150,523,993	7,141,191	35,163,656	480,449,212	109,047,372	589,496,584	947,298,700	49,259,252	996,557,952	407,061,368	59.2%
2023	7.00%	1,000	45,552,404	0	149,484,703	7,355,426	29,736,374	398,897,861	114,935,311	513,833,172	892,239,276	49,603,710	941,842,986	428,009,814	54.6%
2024	7.00%	1,000	47,487,835	0	146,809,705	7,576,089	24,181,422	316,181,324	121,497,431	437,678,755	837,752,223	50,236,095	887,988,318	450,309,563	49.3%
2025	7.00%	1,000	49,641,953	0	139,309,004	7,803,372	18,721,228	237,432,129	128,672,983	366,105,112	788,956,043	51,756,194	840,712,237	474,607,124	43.5%
2026	7.00%	1,000	52,284,817	0	133,028,250	8,037,473	13,512,917	162,164,140	136,081,256	298,245,396	745,047,216	53,988,069	799,035,285	500,789,889	37.3%
2027	7.00%	1,000	55,271,899	0	120,418,682	8,278,597	8,781,601	97,520,361	143,608,520	241,128,881	713,080,121	56,736,796	769,816,917	528,688,036	31.3%
2028	7.00%	1,000	58,239,244	0	108,582,652	8,526,955	4,765,963	43,415,961	151,318,732	194,734,693	693,116,333	59,789,613	752,905,946	558,171,252	25.9%
2029	7.00%	1,000	61,332,598	51,621	97,485,589	8,782,764	1,468,173	0	159,278,247	159,278,247	685,366,478	62,946,323	748,312,801	589,034,554	21.3%
2030	7.00%	1,000	64,596,411	31,905,398	87,455,562	9,046,247	0	0	167,431,517	167,431,517	689,657,517	66,028,117	755,685,634	588,254,117	22.2%
2031	7.00%	1,000	67,975,267	21,206,456	79,864,089	9,317,634	0	0	175,900,063	175,900,063	704,476,206	68,904,313	773,380,519	597,480,456	22.7%
2032	7.00%	1,000	71,425,858	12,930,154	74,758,849	9,597,163	0	0	184,694,760	184,694,760	728,033,882	71,497,673	799,531,555	614,836,795	23.1%
2033	7.00%	1,000	74,983,018	7,386,787	72,484,727	9,885,078	0	0	193,953,786	193,953,786	758,179,087	73,985,024	832,164,111	638,210,324	23.3%
2034	7.00%	1,000	78,748,005	3,819,844	72,386,219	10,181,630	0	0	203,691,791	203,691,791	793,266,959	76,249,175	869,516,134	665,824,343	23.4%
2035	7.00%	1,000	82,710,828	1,929,564	74,153,313	10,487,079	0	0	213,878,518	213,878,518	831,816,936	78,266,784	910,083,720	696,205,202	23.5%
2036	7.00%	1,000	86,845,367	757,654	76,801,330	10,801,691	0	0	224,546,826	224,546,826	873,291,383	80,084,635	953,376,018	728,829,191	23.6%
2037	7.00%	1,000	91,170,752	182,124	80,227,134	11,125,742	0	0	235,793,637	235,793,637	917,281,495	81,796,506	999,078,001	763,284,364	23.6%
2038	7.00%	1,000	95,746,263	0	84,238,869	11,459,514	1,676	49,556	247,550,524	247,600,080	963,467,077	83,514,345	1,046,981,422	799,381,342	23.6%
2039	7.00%	1,000	100,512,517	0	88,447,628	11,803,300	12,625	323,770	260,019,301	260,343,071	1,012,064,382	85,344,653	1,097,409,035	837,065,964	23.7%
2040	7.00%	1,000	105,598,548	0	92,888,302	12,157,399	42,014	918,631	272,888,232	273,806,863	1,062,979,767	87,369,778	1,150,349,545	876,542,682	23.8%
2041	7.00%	1,000	110,782,595	0	97,645,234	12,522,121	85,838	1,619,709	286,628,346	288,248,055	1,116,447,387	89,624,480	1,206,071,867	917,823,812	23.9%
2042	7.00%	1,000	116,398,987	0	102,651,200	12,897,785	143,130	2,612,841	300,926,670	303,539,511	1,172,442,000	92,157,013	1,264,599,013	961,059,502	24.0%
2043	7.00%	1,000	122,188,668	0	107,861,654	13,284,718	219,379	3,874,516	316,014,549	319,889,065	1,231,201,284	94,948,027	1,326,149,311	1,006,260,246	24.1%
2044	7.00%	1,000	128,326,845	0	113,316,875	13,683,260	317,651	5,518,877	331,761,620	337,280,497	1,292,793,741	97,982,247	1,390,775,988	1,053,495,491	24.3%
2045	7.00%	1,000	134,700,492	0	119,019,499	14,093,757	441,875	7,547,988	348,369,865	355,917,853	1,357,454,533	101,218,408	1,458,672,941	1,102,755,088	24.4%
2046	7.00%	1,000	141,458,026	0	124,979,896	14,516,570	597,014	10,106,562	365,785,911	375,892,473	1,425,339,554	104,625,093	1,529,964,647	1,154,072,173	24.6%
2047	7.00%	1,000	148,527,827	0	131,235,664	14,952,067	789,363	13,236,021	384,076,939	397,312,960	1,496,613,518	108,151,948	1,604,765,466	1,207,452,506	24.8%
2048	7.00%	1,000	155,955,751	0	137,800,621	15,400,629	1,022,929	17,013,451	403,279,291	420,292,742	1,571,447,096	111,751,245	1,683,198,341	1,262,905,599	25.0%
2049	7.00%	1,000	163,750,605	0	144,693,254	15,862,648	1,302,756	21,510,910	423,445,422	444,956,332	1,650,020,400	115,383,553	1,765,403,953	1,320,447,620	25.2%
2050	7.00%	1,000	171,940,332	0	151,928,516	16,338,528	1,634,329	26,818,527	444,617,336	471,435,863	1,732,521,520	119,024,651	1,851,546,171	1,380,110,308	25.5%

[1] *Additional contributions in the amount of $80,169,602 are needed over the years 2029 through 2037 to maintain solvency.*

Exhibit VII
Continuing Business Model – Current Year Assumptions – New Contract Sales of 1,500 Per Year

Open Group Projections (Continuing Business Scenario)
Projection Based on Data as of June 30, 2015
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2015
7.00% Assumed Net Investment Return
1,500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2015			33,221,359	0	137,976,098	6,763,344	40,595,999	1,025,385,432	59,821,556	1,085,206,988	1,320,201,957	57,116,212	1,377,318,169	292,111,181	78.8%
2016	7.00%	1,500	18,270,942	0	163,506,101	5,951,743	66,485,439	940,683,970	91,117,385	1,031,801,355	1,278,927,217	55,133,501	1,334,060,718	302,259,363	77.3%
2017	7.00%	1,500	41,223,013	0	157,415,383	6,160,054	61,565,543	879,897,089	103,862,477	983,759,566	1,242,843,150	53,147,031	1,295,990,181	312,230,615	75.9%
2018	7.00%	1,500	45,137,354	0	159,557,864	6,344,855	57,366,008	816,497,732	116,276,317	932,774,049	1,203,883,887	51,556,447	1,255,440,334	322,666,285	74.3%
2019	7.00%	1,500	49,281,769	0	162,022,393	6,535,201	52,980,187	750,202,094	128,238,977	878,441,071	1,161,592,450	50,376,539	1,211,968,989	333,527,918	72.5%
2020	7.00%	1,500	53,442,792	0	156,197,634	6,731,257	48,682,133	689,398,128	139,888,556	829,286,684	1,124,419,478	49,612,056	1,174,031,534	344,744,850	70.6%
2021	7.00%	1,500	58,901,013	0	151,248,635	6,933,195	44,783,040	634,900,351	150,054,882	784,955,233	1,091,929,090	49,248,622	1,141,177,712	356,222,478	68.8%
2022	7.00%	1,500	63,184,530	0	153,099,936	7,141,191	41,046,044	578,889,798	160,011,364	738,901,162	1,057,500,723	49,259,252	1,106,759,975	367,858,814	66.8%
2023	7.00%	1,500	66,777,308	0	153,178,350	7,355,426	37,240,809	522,374,139	170,205,366	692,579,505	1,022,968,522	49,603,710	1,072,572,232	379,992,727	64.6%
2024	7.00%	1,500	70,242,309	0	151,889,139	7,576,089	33,443,388	466,594,608	180,919,753	647,514,361	989,838,170	50,236,095	1,040,074,265	392,559,903	62.3%
2025	7.00%	1,500	73,916,913	0	146,030,356	7,803,372	29,864,534	416,542,327	192,162,513	608,704,840	963,072,676	51,756,194	1,014,828,870	406,124,030	60.0%
2026	7.00%	1,500	78,084,712	0	141,666,839	8,037,473	26,651,277	371,574,004	203,613,099	575,187,103	941,682,745	53,988,069	995,670,814	420,483,711	57.8%
2027	7.00%	1,500	82,642,068	0	131,143,930	8,278,597	24,022,864	338,816,409	215,073,018	553,889,427	932,555,203	56,736,796	989,291,999	435,402,572	56.0%
2028	7.00%	1,500	87,146,939	0	121,517,630	8,526,955	22,215,731	318,134,494	226,891,229	545,025,723	935,836,459	59,789,613	995,626,072	450,600,349	54.7%
2029	7.00%	1,500	91,936,262	0	112,849,392	8,782,764	21,230,058	309,668,658	238,864,329	548,532,987	951,452,303	62,946,323	1,014,398,626	465,865,640	54.1%
2030	7.00%	1,500	96,840,212	0	105,368,140	9,046,247	21,061,710	313,156,193	251,159,244	564,315,437	979,239,642	66,028,117	1,045,267,759	480,952,322	54.0%
2031	7.00%	1,500	101,971,013	0	100,398,936	9,317,634	21,649,839	327,060,475	263,831,160	590,891,635	1,017,647,930	68,904,313	1,086,552,243	495,660,608	54.4%
2032	7.00%	1,500	107,123,706	0	97,964,049	9,597,163	22,878,921	349,501,890	277,014,296	626,516,186	1,064,894,747	71,497,673	1,136,392,420	509,876,233	55.1%
2033	7.00%	1,500	112,461,091	0	98,423,000	9,885,078	24,610,488	378,265,391	290,940,790	669,206,181	1,118,889,331	73,985,024	1,192,874,355	523,668,173	56.1%
2034	7.00%	1,500	118,133,544	0	101,303,138	10,181,630	26,711,285	411,625,452	305,523,848	717,149,300	1,177,751,818	76,249,175	1,254,000,993	536,851,693	57.2%
2035	7.00%	1,500	124,057,886	0	106,196,774	10,487,079	29,071,873	448,071,358	320,843,783	768,915,141	1,239,956,342	78,266,784	1,318,223,126	549,307,985	58.3%
2036	7.00%	1,500	130,285,153	0	111,840,512	10,801,691	31,632,498	487,346,806	336,868,280	824,215,086	1,305,129,111	80,084,635	1,385,213,746	560,998,660	59.5%
2037	7.00%	1,500	136,781,416	0	118,157,866	11,125,742	34,376,700	529,221,314	353,700,477	882,921,791	1,373,024,505	81,796,506	1,454,821,011	571,899,220	60.7%
2038	7.00%	1,500	143,616,734	0	124,965,625	11,459,514	37,297,198	573,710,107	371,348,301	945,058,408	1,443,547,263	83,514,345	1,527,061,608	582,003,200	61.9%
2039	7.00%	1,500	150,778,117	0	131,840,898	11,803,300	40,409,395	621,253,421	389,948,758	1,011,202,179	1,517,117,252	85,344,653	1,602,461,905	591,259,726	63.1%
2040	7.00%	1,500	158,344,897	0	138,864,690	12,157,399	43,744,038	672,320,267	409,388,055	1,081,708,322	1,593,969,232	87,369,778	1,681,339,010	599,630,689	64.3%
2041	7.00%	1,500	166,221,637	0	146,198,894	12,522,121	47,324,940	727,145,829	429,948,812	1,157,094,641	1,674,410,968	89,624,480	1,764,035,448	606,940,806	65.6%
2042	7.00%	1,500	174,596,613	0	153,817,871	12,897,785	51,176,042	786,202,828	451,374,061	1,237,576,889	1,758,531,039	92,157,013	1,850,688,052	613,111,163	66.9%
2043	7.00%	1,500	183,269,119	0	161,707,617	13,284,718	55,323,885	849,803,497	474,029,634	1,323,833,131	1,846,756,215	94,948,027	1,941,704,242	617,871,111	68.2%
2044	7.00%	1,500	192,494,542	0	169,935,629	13,683,260	59,796,893	918,476,043	497,632,237	1,416,108,280	1,939,172,395	97,982,247	2,037,154,642	621,046,362	69.5%
2045	7.00%	1,500	202,046,043	0	178,516,462	14,093,757	64,623,577	992,535,444	522,548,543	1,515,083,987	2,036,175,383	101,218,408	2,137,393,791	622,309,805	70.9%
2046	7.00%	1,500	212,184,736	0	187,464,235	14,516,570	69,834,619	1,072,573,994	548,674,694	1,621,248,688	2,138,008,369	104,625,093	2,242,633,462	621,384,774	72.3%
2047	7.00%	1,500	222,790,156	0	196,852,328	14,952,067	75,464,681	1,159,024,436	576,115,164	1,735,139,600	2,244,922,349	108,151,948	2,353,074,297	617,934,697	73.7%
2048	7.00%	1,500	233,934,958	0	206,701,116	15,400,629	81,545,873	1,252,403,522	604,917,377	1,857,320,899	2,357,172,727	111,751,245	2,468,923,972	611,603,073	75.2%
2049	7.00%	1,500	245,625,244	0	217,040,460	15,862,648	88,113,521	1,353,239,179	635,167,980	1,988,407,159	2,475,032,837	115,383,553	2,590,416,390	602,009,231	76.8%
2050	7.00%	1,500	257,910,953	0	227,893,444	16,338,528	95,205,507	1,462,123,667	666,924,992	2,129,048,659	2,598,783,705	119,024,651	2,717,808,356	588,759,697	78.3%

Exhibit VIII
Continuing Business Model – Current Year Assumptions – New Contract Sales of 2,500 Per Year

Open Group Projections (Continuing Business Scenario)
Projection Based on Data as of June 30, 2015
Assumptions Based on Those Used in Actuarial Valuation as of June 30, 2015
7.00% Assumed Net Investment Return
2,500 New Contracts Per Year

			Assets								Liabilities				
Year Ending 6/30	Assumed Net Rate of Return	Annual New Contracts	Contributions	Additional Required Solvency Contributions	Tuition Payments, Refunds, and Fees	Administrative Expenses	Net Investment Return	Market Value of Assets (EOY)	Total Present Value of Future Contributions	Total Fund Assets (MVA + PVFC)	Total Present Value of Future Benefits	Present Value of Future Admin Expenses	Total Present Value of Future Benefits, Fees, and Expenses	Unfunded Liability	Funded Ratio
2015			33,221,359	0	137,976,098	6,763,344	40,595,999	1,025,385,432	59,821,556	1,085,206,988	1,320,201,957	57,116,212	1,377,318,169	292,111,181	78.8%
2016	7.00%	2,500	18,270,942	0	163,506,101	5,951,743	66,485,439	940,683,970	121,795,781	1,062,479,751	1,302,560,977	55,133,501	1,357,694,478	295,214,727	78.3%
2017	7.00%	2,500	60,084,202	0	157,439,756	6,160,054	62,224,832	899,393,194	149,874,662	1,049,267,856	1,292,939,719	53,147,031	1,346,086,750	296,818,894	77.9%
2018	7.00%	2,500	68,176,718	0	160,177,893	6,344,855	59,515,413	860,562,577	176,210,420	1,036,772,997	1,282,888,507	51,556,447	1,334,444,954	297,671,957	77.7%
2019	7.00%	2,500	76,496,763	0	163,271,511	6,535,201	56,973,532	824,226,160	200,755,732	1,024,981,892	1,272,194,948	50,376,539	1,322,571,487	297,589,595	77.5%
2020	7.00%	2,500	85,038,629	0	158,485,690	6,731,257	54,889,590	798,937,432	223,429,807	1,022,367,239	1,269,118,808	49,612,056	1,318,730,864	296,363,625	77.5%
2021	7.00%	2,500	95,056,016	0	154,723,340	6,933,195	53,594,602	785,931,515	242,918,340	1,028,849,855	1,273,335,930	49,248,622	1,322,584,552	293,734,696	77.8%
2022	7.00%	2,500	102,457,983	0	158,252,337	7,141,191	52,812,462	775,808,432	261,951,356	1,037,759,788	1,277,941,191	49,259,252	1,327,200,443	289,440,655	78.2%
2023	7.00%	2,500	109,230,305	0	160,567,370	7,355,426	52,252,353	769,368,294	280,712,837	1,050,081,131	1,284,433,272	49,603,710	1,334,036,982	283,955,851	78.7%
2024	7.00%	2,500	115,727,136	0	162,049,817	7,576,089	51,969,324	767,438,848	299,755,007	1,067,193,855	1,294,015,316	50,236,095	1,344,251,411	277,057,556	79.4%
2025	7.00%	2,500	122,464,728	0	159,474,986	7,803,372	52,152,242	774,777,460	319,136,933	1,093,914,393	1,311,311,939	51,756,194	1,363,068,133	269,153,739	80.3%
2026	7.00%	2,500	129,686,080	0	158,946,016	8,037,473	52,929,013	790,409,064	338,620,093	1,129,029,157	1,334,921,433	53,988,069	1,388,909,502	259,880,344	81.3%
2027	7.00%	2,500	137,349,196	0	152,596,392	8,278,597	54,505,232	821,388,503	358,140,258	1,179,528,761	1,371,589,307	56,736,796	1,428,326,103	248,797,343	82.6%
2028	7.00%	2,500	145,056,215	0	147,389,005	8,526,955	57,117,104	867,645,862	377,919,568	1,245,565,430	1,421,242,320	59,789,613	1,481,031,933	235,466,502	84.1%
2029	7.00%	2,500	153,051,479	0	143,580,872	8,782,764	60,759,285	929,092,990	398,066,552	1,327,159,542	1,483,626,830	62,946,323	1,546,573,153	219,413,611	85.8%
2030	7.00%	2,500	161,358,919	0	141,193,376	9,046,247	65,425,685	1,005,637,971	418,613,909	1,424,251,880	1,558,406,316	66,028,117	1,624,434,433	200,182,553	87.7%
2031	7.00%	2,500	169,962,187	0	141,471,388	9,317,634	71,065,719	1,095,876,855	439,698,728	1,535,575,583	1,643,995,436	68,904,313	1,712,899,749	177,324,165	89.6%
2032	7.00%	2,500	178,525,936	0	144,374,691	9,597,163	77,570,773	1,198,001,710	461,717,973	1,659,719,683	1,738,668,662	71,497,673	1,810,166,335	150,446,652	91.7%
2033	7.00%	2,500	187,452,023	0	150,300,777	9,885,078	84,814,436	1,310,082,314	484,952,826	1,795,035,140	1,840,367,966	73,985,024	1,914,352,990	119,317,850	93.8%
2034	7.00%	2,500	196,917,457	0	159,139,048	10,181,630	92,671,649	1,430,350,742	509,141,963	1,939,492,705	1,946,727,802	76,249,175	2,022,976,977	83,484,272	95.9%
2035	7.00%	2,500	206,713,602	0	170,286,128	10,487,079	101,032,466	1,557,323,603	534,684,538	2,092,008,141	2,056,180,502	78,266,784	2,134,447,286	42,439,145	98.0%
2036	7.00%	2,500	217,115,361	0	181,920,504	10,801,691	109,866,413	1,691,583,182	561,380,414	2,252,963,596	2,168,681,531	80,084,635	2,248,766,166	-4,197,430	100.2%
2037	7.00%	2,500	227,941,599	0	194,019,731	11,125,742	119,208,687	1,833,587,995	589,521,628	2,423,109,623	2,284,440,145	81,796,506	2,366,236,651	-56,872,972	102.4%
2038	7.00%	2,500	239,389,837	0	206,416,708	11,459,514	129,104,136	1,984,205,746	618,914,814	2,603,120,560	2,403,632,075	83,514,345	2,487,146,420	-115,974,140	104.7%
2039	7.00%	2,500	251,295,589	0	218,626,178	11,803,300	139,624,716	2,144,696,573	649,887,790	2,794,584,363	2,527,214,540	85,344,653	2,612,559,193	-182,025,170	107.0%
2040	7.00%	2,500	263,889,476	0	230,816,450	12,157,399	150,860,807	2,316,473,007	682,419,665	2,998,892,672	2,655,940,101	87,369,778	2,743,309,879	-255,582,793	109.3%
2041	7.00%	2,500	277,105,425	0	243,304,496	12,522,121	162,897,869	2,500,649,684	716,503,117	3,217,152,801	2,790,247,039	89,624,480	2,879,871,519	-337,281,282	111.7%
2042	7.00%	2,500	290,931,915	0	256,146,913	12,897,785	175,811,530	2,698,348,431	752,339,288	3,450,687,719	2,930,690,219	92,157,013	3,022,847,232	-427,840,487	114.2%
2043	7.00%	2,500	305,486,592	0	269,393,122	13,284,718	189,682,696	2,910,839,879	789,951,866	3,700,791,745	3,077,761,026	94,948,027	3,172,709,053	-528,082,693	116.6%
2044	7.00%	2,500	320,759,425	0	283,167,000	13,683,260	204,595,612	3,139,344,656	829,448,274	3,968,792,930	3,231,909,664	97,982,247	3,329,891,911	-638,901,019	119.2%
2045	7.00%	2,500	336,798,009	0	297,503,015	14,093,757	220,636,169	3,385,182,062	870,921,137	4,256,103,199	3,393,601,921	101,218,408	3,494,820,329	-761,282,869	121.8%
2046	7.00%	2,500	353,637,307	0	312,429,220	14,516,570	237,896,947	3,649,770,526	914,470,025	4,564,240,551	3,563,334,020	104,625,093	3,667,959,113	-896,281,438	124.4%
2047	7.00%	2,500	371,321,058	0	328,078,852	14,952,067	256,474,092	3,934,534,757	960,192,238	4,894,726,995	3,741,525,489	108,151,948	3,849,677,437	-1,045,049,558	127.1%
2048	7.00%	2,500	389,886,068	0	344,497,724	15,400,629	276,467,003	4,240,989,475	1,008,201,846	5,249,191,321	3,928,613,038	111,751,245	4,040,364,283	-1,208,827,038	129.9%
2049	7.00%	2,500	409,380,221	0	361,729,674	15,862,648	297,981,840	4,570,759,214	1,058,611,712	5,629,370,926	4,125,048,173	115,383,553	4,240,431,726	-1,388,939,200	132.8%
2050	7.00%	2,500	429,849,491	0	379,819,545	16,338,528	321,132,345	4,925,582,977	1,111,541,632	6,037,124,609	4,331,301,758	119,024,651	4,450,326,409	-1,586,798,200	135.7%

Exhibit IX
Sensitivity Testing Results

The actuarial assumptions regarding future increases in tuition costs and fees and the future rate of investment return were provided to us by ISAC. In our opinion, the assumptions provided to us are reasonable for the purpose of the measurement. However, no one really knows what the future holds with respect to economic and other contingencies. For example, while it is assumed that the assets of the fund will earn 7.00 percent each year throughout the life of the contracts, actual returns are expected to vary from year to year. Therefore, we have projected CIPTP results under alternative assumptions for future investment income, tuition increases, and fee increases.

1. Tuition increases are 100 basis points higher/lower in each future year than assumed in the baseline valuation (measurement of soundness).
2. Fee increases are 100 basis points higher/lower in each future year than assumed in the baseline valuation (measurement of soundness).
3. The investment return is 50 basis points higher/lower in each future year than assumed in the baseline valuation (measurement of soundness).

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

Exhibit IX
Sensitivity Testing Results (Continued)

$ in Millions

	Current Valuation Assumptions	Assumed Tuition Increases +100 Basis Points	Assumed Tuition Increases -100 Basis Points	Assumed Fee Increases +100 Basis Points	Assumed Fee Increases -100 Basis Points	Assumed Investment Return +50 Basis Points	Assumed Investment Return -50 Basis Points
1 Assets							
a. Market Value of Assets (in Trust)	$1,025.4	$1,025.4	$1,025.4	$1,025.4	$1,025.4	$1,025.4	$1,025.4
b. PV Future Member Contributions	59.8	59.8	59.8	59.8	59.8	59.0	60.6
c. Total Actuarial Value of Assets (AVA) (2a + 2b)	$1,085.2	$1,085.2	$1,085.2	$1,085.2	$1,085.2	$1,084.4	$1,086.0
2 Actuarial Results							
Liabilities							
a. Not yet Matriculating - Tuition and Fees	$1,062.5	$1,096.2	$1,030.9	$1,078.3	$1,047.7	$1,030.2	$1,096.4
b. Matriculating - Tuition and Fees	257.7	258.1	257.4	258.5	257.0	255.9	259.6
c. Present Value of Future Administrative Expenses	57.1	57.1	57.1	57.1	57.1	55.4	58.9
d. Total	$1,377.3	$1,411.4	$1,345.4	$1,393.9	$1,361.8	$1,341.5	$1,414.9
Unfunded Liability	$292.1	$326.2	$260.2	$308.7	$276.6	$257.1	$328.9
Funded Ratio	78.8%	76.9%	80.7%	77.9%	79.7%	80.8%	76.8%
Difference From Current Assumptions							
Unfunded Liability	$0.0	$34.1	-$31.9	$16.6	-$15.5	-$35.0	$36.8
Funded Ratio	0.0%	-1.9%	1.9%	-0.9%	0.9%	2.0%	-2.0%

SECTION C

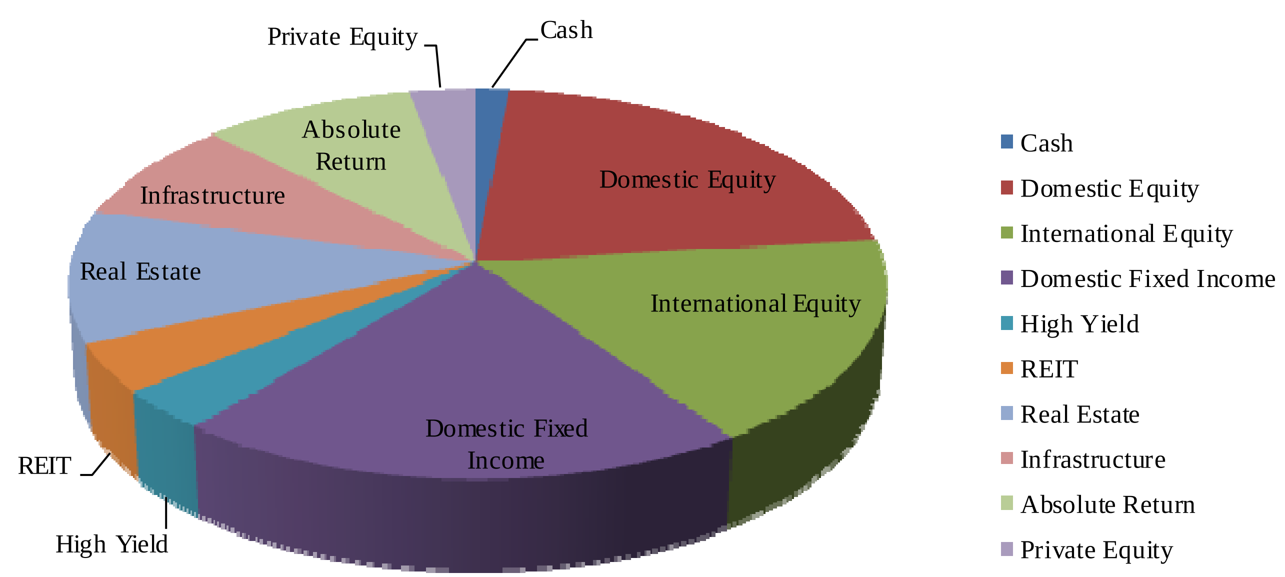
FUND ASSETS

STATEMENT OF PLAN ASSETS
(ASSETS AT MARKET OR FAIR VALUE)

College Illinois!® Prepaid Tuition Program
Statement of Plan Net Assets
Year ended June 30, 2015

Cash	$	14,740,099
Investments		
Domestic Equity	$	222,656,065
International Equity		176,034,838
Domestic Fixed Income		210,972,823
High Yield		35,589,028
REIT		42,257,467
Real Estate		110,655,501
Infrastructure		85,823,076
Absolute Return		96,379,477
Private Equity		30,277,058
Total Investments	$	1,010,645,333
Total Assets	$	1,025,385,432

ALLOCATION OF ASSETS AT JUNE 30, 2015



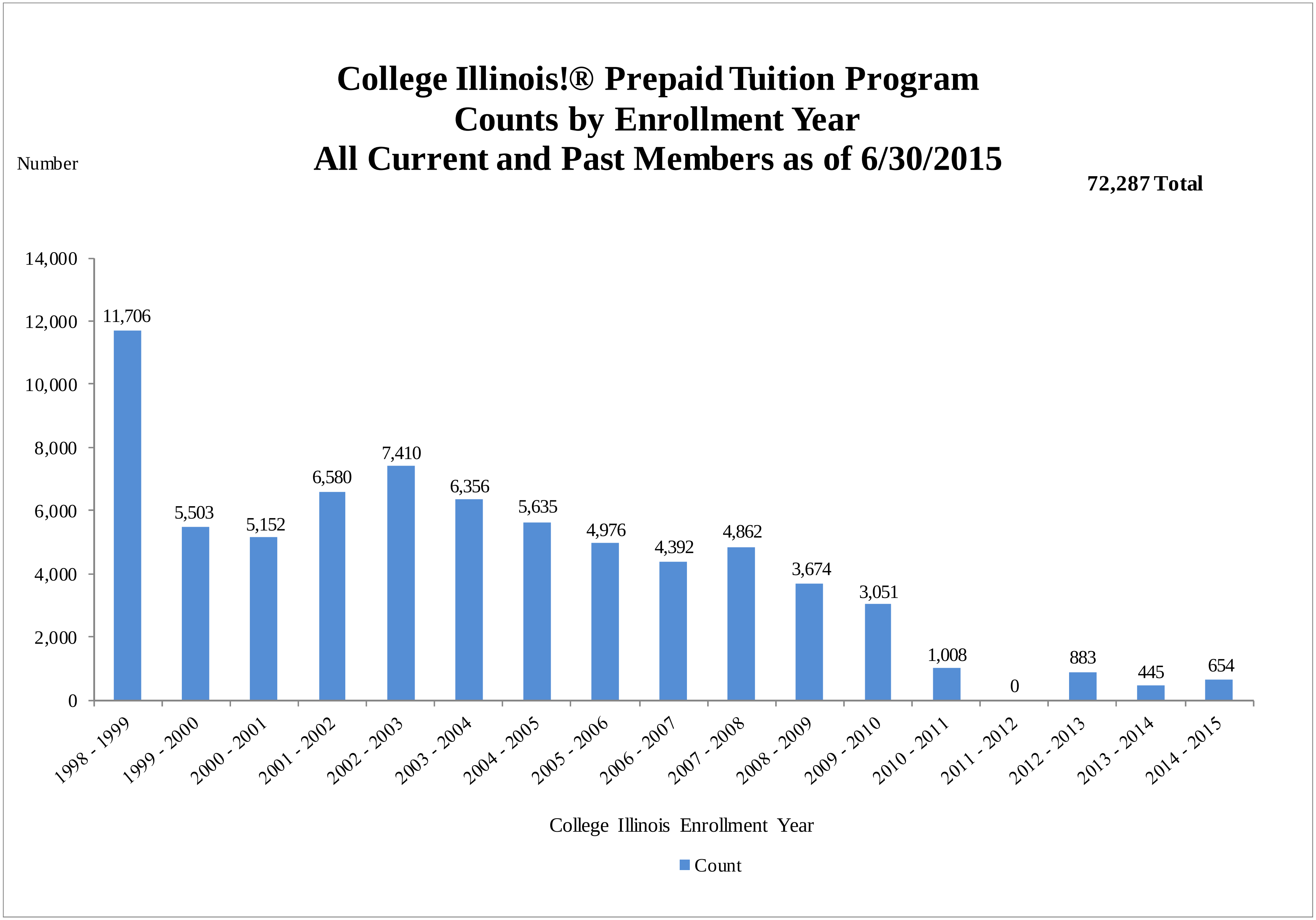
RECONCILIATION OF MARKET VALUE OF PLAN ASSETS

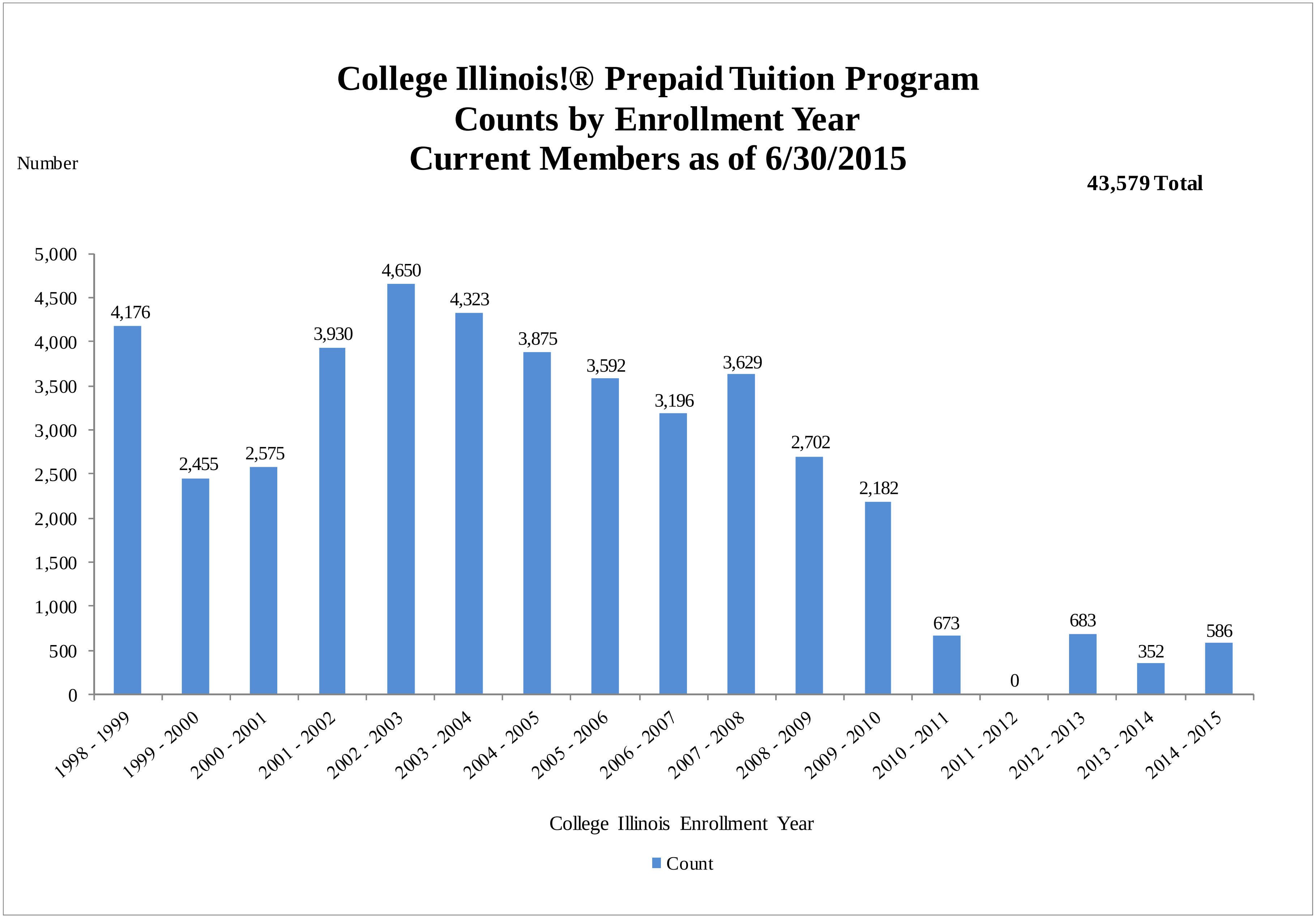
College Illinois!® Prepaid Tuition Program
Statement of Changes in Plan Net Assets
Twelve Month Period ended June 30, 2015

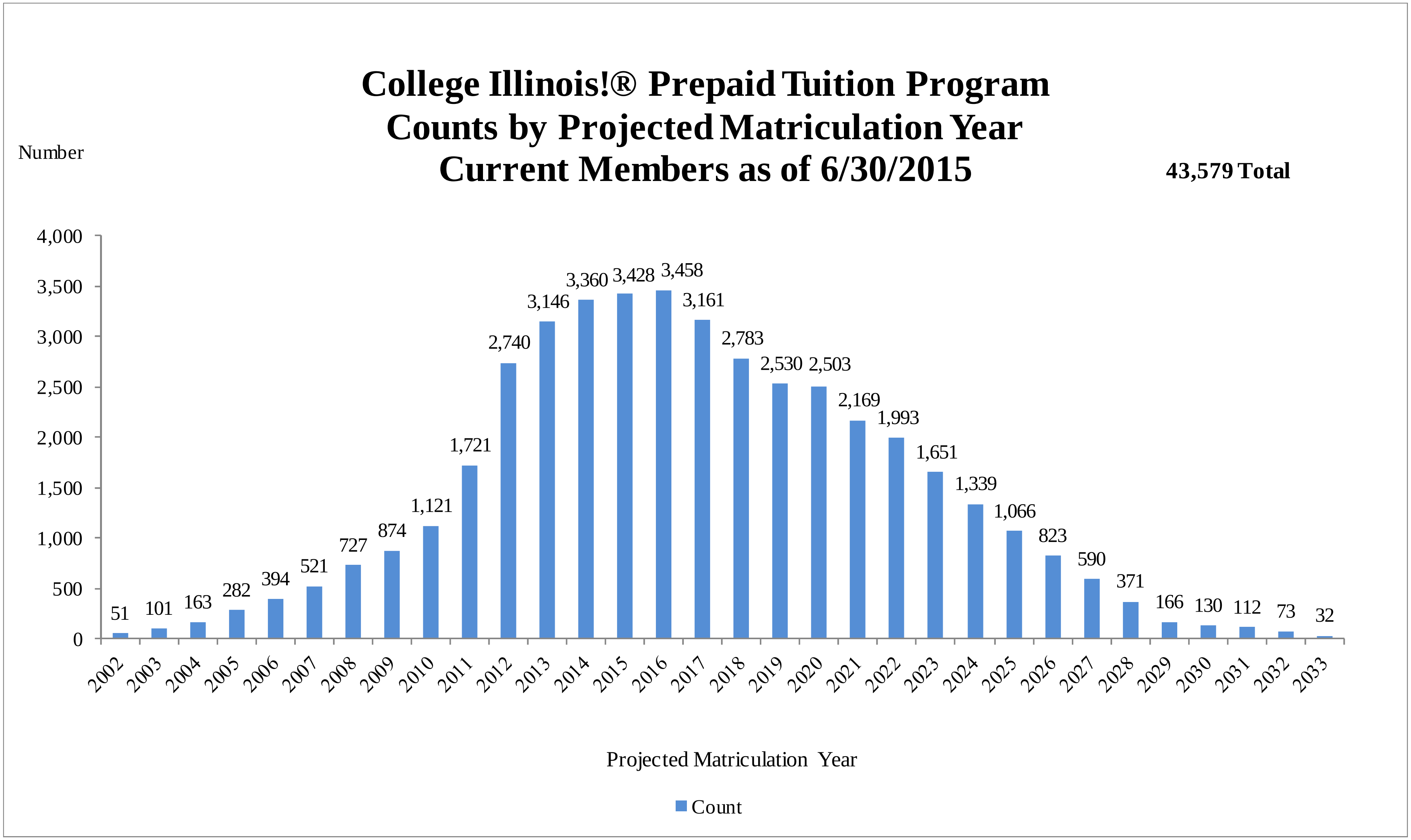
Beginning of Period		7/1/2014
End of Period		6/30/2015
Additions:		
Contributions received	$	33,221,359
Gross investment income		19,281,370
Realized/Unrealized investment gains/(losses)		24,809,103
Total Additions	$	77,311,832
Deductions:		
Tuition payments	$	120,683,478
Refunds to Purchasers		17,292,620
Investment expenses & advisory fees		3,494,474
Administrative expenses		6,763,344
Total Deductions	$	148,233,916
Net increase/(decrease)	$	(70,922,084)
Market Value of Assets:		
Beginning of period	$	1,096,307,516
End of period (6/30/2015)	$	1,025,385,432
Present Value of Future Contributions by Current Contract Holders		59,821,556
Market Value of Total Fund Assets as of June 30, 2015	$	1,085,206,988

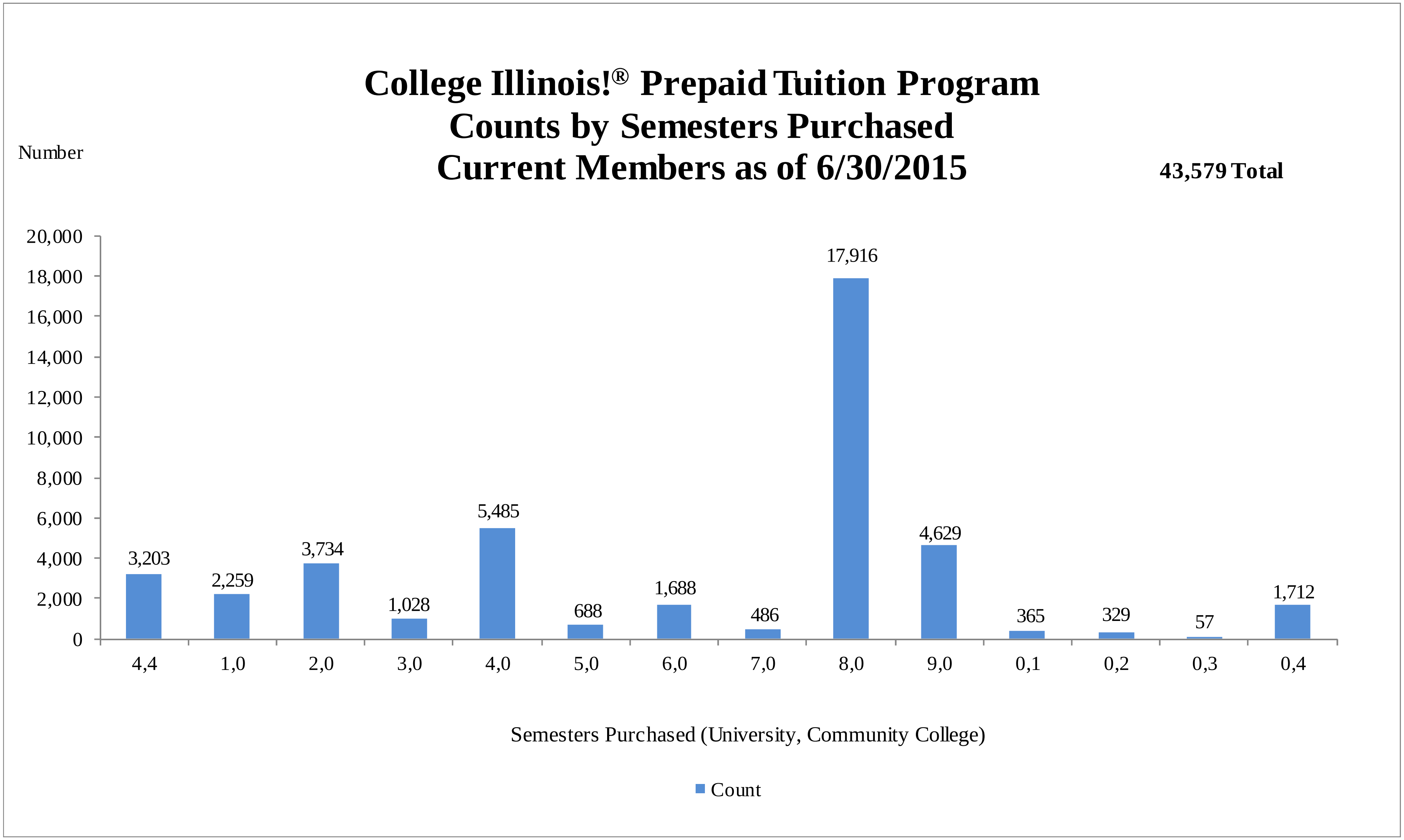
SECTION D

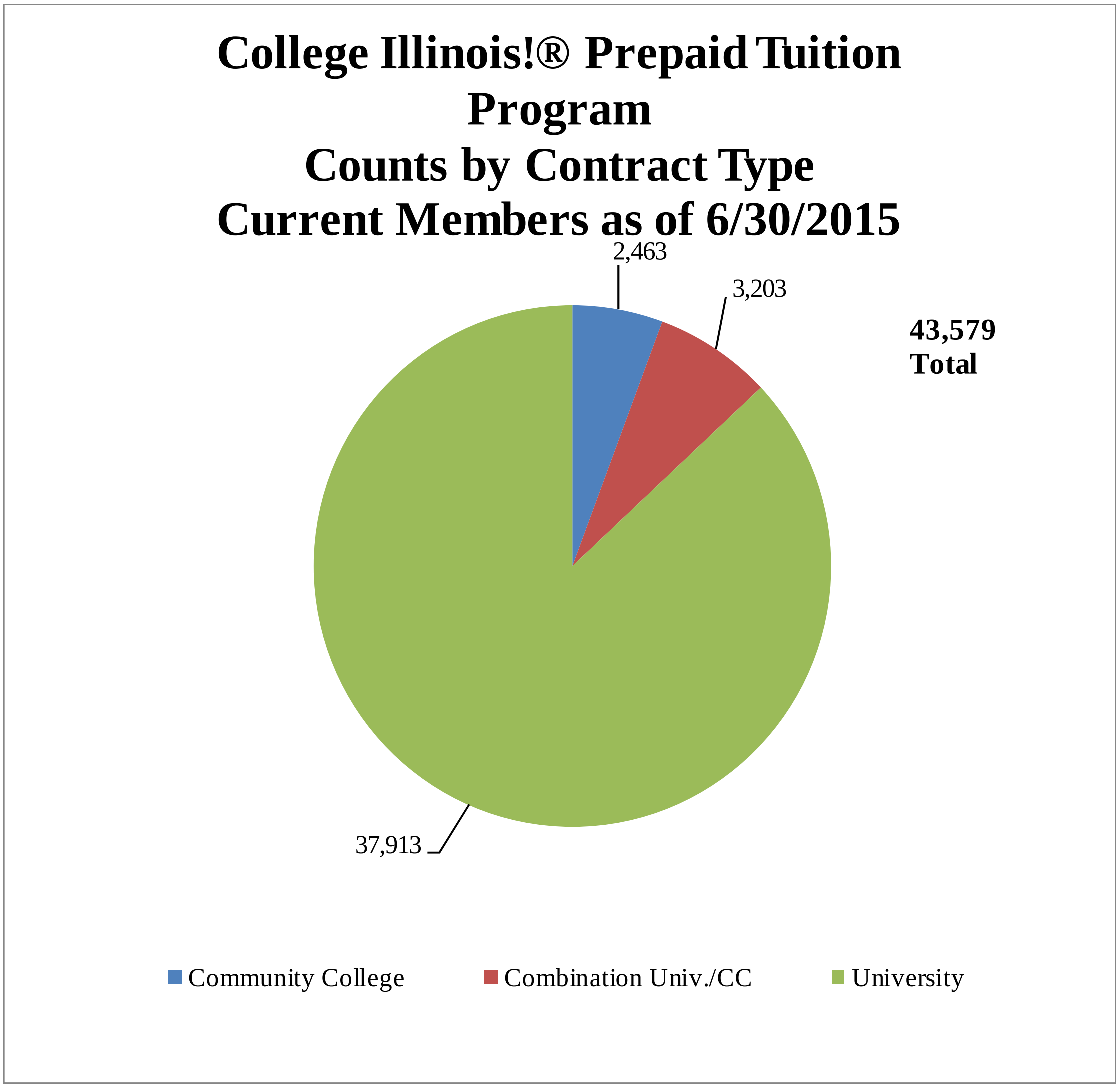
PARTICIPANT DATA

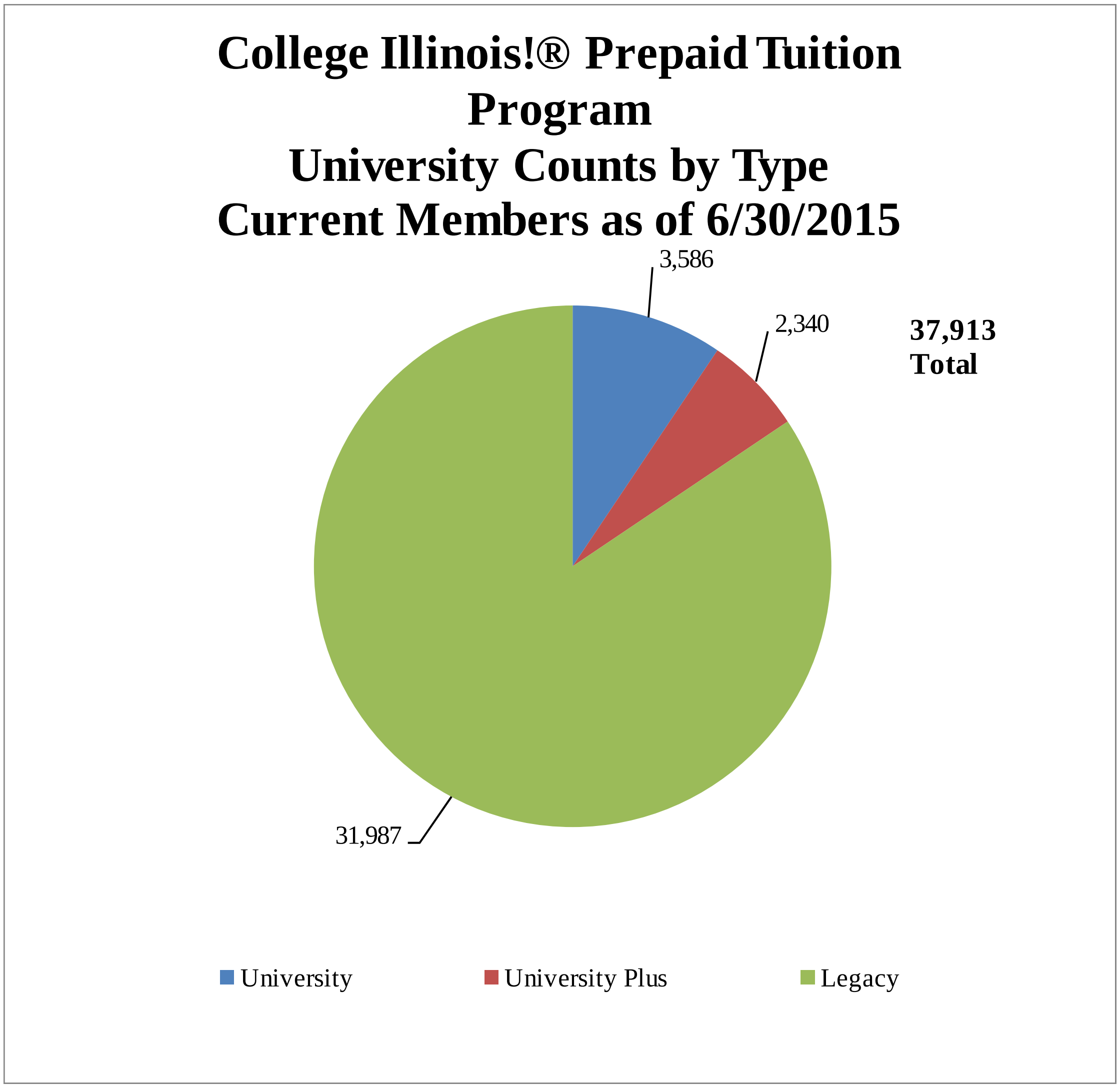

College Illinois!® Prepaid Tuition Program
Counts by Enrollment Year
All Current and Past Members as of 6/30/2015
Number
72,287 Total
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
11,706
5,503
5,152
6,580
7,410
6,356
5,635
4,976
4,392
4,862
3,674
3,051
1,008
0
883
445
654
1998 - 1999
1999 - 2000
2000 - 2001
2001 - 2002
2002 - 2003
2003 - 2004
2004 - 2005
2005 - 2006
2006 - 2007
2007 - 2008
2008 - 2009
2009 - 2010
2010 - 2011
2011 - 2012
2012 - 2013
2013 - 2014
2014 - 2015
College Illinois Enrollment Year
Count


College Illinois!® Prepaid Tuition Program
Counts by Enrollment Year
Current Members as of 6/30/2015
Number
43,579 Total
5,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
4,176
2,455
2,575
3,930
4,650
4,323
3,875
3,592
3,196
3,629
2,702
2,182
673
0
683
352
586
1998 - 1999
1999 - 2000
2000 - 2001
2001 - 2002
2002 - 2003
2003 - 2004
2004 - 2005
2005 - 2006
2006 - 2007
2007 - 2008
2008 - 2009
2009 - 2010
2010 - 2011
2011 - 2012
2012 - 2013
2013 - 2014
2014 - 2015
College Illinois Enrollment Year
Count


College Illinois!® Prepaid Tuition Program
Counts by Projected Matriculation Year
Current Members as of 6/30/2015
43,579 Total
Number
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
51
101
163
282
394
521
727
874
1,121
1,721
2,740
3,146
3,360
3,428
3,458
3,161
2,783
2,530
2,503
2,169
1,993
1,651
1,339
1,066
823
590
371
166
130
112
73
32
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
Projected Matriculation Year
Count


College Illinois!® Prepaid Tuition Program
Counts by Semesters Purchased
Current Members as of 6/30/2015
43,579 Total
Number
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
3,203
2,259
3,734
1,028
5,485
688
1,688
486
17,916
4,629
365
329
57
1,712
4,4
1,0
2,0
3,0
4,0
5,0
6,0
7,0
8,0
9,0
0,1
0,2
0,3
0,4
Semesters Purchased (University, Community College)
Count


College Illinois!® Prepaid Tuition Program
Counts by Contract Type
Current Members as of 6/30/2015
2,463
3,203
43,579
Total
37,913
Community College
Combination Univ./CC
University


College Illinois!® Prepaid Tuition Program
University Counts by Type
Current Members as of 6/30/2015
3,586
2,340
37,913
Total
31,987
University
University Plus
Legacy

SECTION E

METHODS & ASSUMPTIONS

VALUATION METHODS

Actuarial Value of Assets – The Actuarial Value of Assets is equal to the Market Value of Assets.

VALUATION ASSUMPTIONS

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

Measurement Date June 30, 2015

The net investment return rate 7.00 percent per annum, compounded annually. Includes inflation assumption of 3.00 percent.

Weighted Average Tuition and Fees (WATF) Based on the Freshman Blended Tuition Rate and Increases by Contract Type

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy†
2015-2016 Weighted Tuition	\$3,549	\$10,082	\$14,136	\$11,022
2015-2016 Weighted Fees	\$431	\$3,688	\$3,590	\$3,665
2015-2016 Total WATF	\$3,980	\$13,770	\$17,726	\$14,687

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

For continuing students at public universities and students attending community colleges, fees are combined with tuition in our projections and follow their respective tuition inflation assumptions.

These assumptions were chosen by ISAC and consider historical Illinois public tuition and fee inflation, typically over a 20-year horizon, as well as current economic and political conditions.

	Contract Type			
	Choice 1	Choice 2	Choice 3	
	Community College	University	University Plus	Legacy†
2015-2016 WATF	\$3,980	\$13,770	\$17,726	\$14,687
2014-2015 WATF	\$3,809	\$13,362	\$17,711	\$14,354
WATF Increase	4.49%	3.05%	0.08%	2.32%

Tuition and Fee Increase Assumption - June 30, 2015, Actuarial Valuation				
Effective Date	Community College	University	University Plus	Legacy
6/30/2016 through 6/30/2017	6.50%	6.50%	6.50%	6.50%
6/30/2018 through 6/30/2022	5.75%	5.75%	5.75%	5.75%
6/30/2023 and Beyond	5.00%	5.00%	5.00%	5.00%

Truth in Tuition

We have segregated the beneficiaries into two categories, those beneficiaries that fall under the Truth in Tuition law and those that do not. The Truth in Tuition law does not apply to community colleges.

For Truth in Tuition beneficiaries, it was assumed that their tuition will not increase in their second, third and fourth year of school. If they attend school beyond four years, it was assumed that their tuition would increase to the amount charged the year after the year they first enrolled. For all other beneficiaries, it was assumed that tuition will rise for each year enrolled. It was assumed fees will rise for each year enrolled.

Administrative Expenses

Administrative expenses of the Program are assumed to be paid through a combination of investment earnings and fees assessed on purchasers. For purposes of the closed group projections, marketing expenses were excluded as it is assumed those costs should be applicable only to future contracts. Expenses are assumed to grow at the rate of inflation assumption of 3.0 percent. Closed group administrative expenses are projected to decline at the same rate the present value of benefits decline and are therefore not dependent on the growth rate assumption. The present value of future administrative expenses was determined to be equal to approximately 4.1 percent of the total liabilities.

Bias Load

"Legacy," Choice 1 and Choice 2 contract beneficiaries were assumed on average to attend more expensive schools than indicated by the headcount information that was used to determine the 2015-2016 WATF. A load of 4.0 percent for "Legacy" contracts, 5.5 percent for Choice 1 contracts and 2.5 percent for Choice 2 contracts was added to the WATF assumption to recognize this bias toward enrollment at more expensive schools. No bias load was applied to the "University Plus" beneficiaries due to the separation of UIUC.

Mortality and Disability

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

Future Beneficiary Profile

The characteristics of future beneficiaries are assumed to be the same as the characteristics of 2014 new beneficiaries.

The Rates of Enrollment

These rates are used to measure the probability of eligible members matriculating at and beyond their projected college entrance date.

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

Rates of Cancellation

These rates are used to measure the probability of eligible members cancelling their contracts before and after projected college entrance date.

Years From Projected College Entrance Year	Cancellation Rate
-17	8%
-16	7%
-15	6%
-14	4%
-13	4%
-12	3%
-11	3%
-10	3%
-9	2%
-8	2%
-7	2%
-6	2%
-5	2%
-4	1%

Years From Projected College Entrance Year	Cancellation Rate
-3	1%
-2	1%
-1	1%
0	2%
1	2%
2	3%
3	3%
4	5%
5	5%
6	8%
7	8%
8	5%
9	5%
10	5%

In the event of a cancellation, it was assumed that a refund will be paid equal to the amount of contributions paid by the contract holder, increased by 2 percent for each subsequent year after purchase for contracts sold prior to October 1, 2013.

Utilization of Benefits

Once they start matriculating, beneficiaries are assumed to use the benefits as described by the CIPTP Master Agreement according to the schedule below.

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

Once a member has matriculated, it is assumed that beneficiaries will utilize 22 credits per year until benefits are fully depleted.

SECTION F

PLAN PROVISIONS

PLAN PROVISIONS

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

A. Type of Contract

Three types of contracts are available for purchase: Choice 1 - Community College, Choice 2 – University and Choice 3 – University Plus.

B. Benefit

Covered benefits include tuition and mandatory fees at an Illinois public university or community college based on the in-state or in-district undergraduate rate for a full-time student.

Mandatory fees are fees that are required upon enrollment for all students attending the particular institution.

The benefit does not include any optional fees, expenses or cost of supplies.

Benefit shall never be less than payment amount.

C. Member Contributions

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

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

D. Private or Out-of-State Institutions

For beneficiaries attending private or out-of-state institution, the plan will pay an amount based upon the weighted average tuition and mandatory fees at Illinois public universities or community colleges depending on the type of contract purchased.

PLAN PROVISIONS (CONTINUED)

E. Scholarship

If a qualified beneficiary is awarded a grant or scholarship that duplicates the benefits covered by a prepaid tuition contract, the purchaser may request a refund in semester installments.

Illinois public university or community college – the installments will be in an amount equal to the current cost of in-state or in-district registration fees at that institution, less any benefits used to pay registration fees not covered by the scholarship and any applicable fees.

Illinois Private Institution or an eligible Out-of-State Institution – the installments will be in an amount equal to the current average mean-weighted credit hour value of registration fees at Illinois public universities or Illinois community colleges, depending on the type of the purchased contract, less any benefits used to pay registration fees not covered by the scholarship and any applicable fees.

F. Not Attending an Institution of Higher Education

Benefits can be transferred to a member of the “family” as defined in Section 529 of the Internal Revenue Code.

Purchasers can also choose to postpone the beneficiary’s use of contract benefits to a later time or receive a refund payment equal to all contributions, plus two percent interest (only applicable to contracts purchased prior to the 2013/2014 enrollment period), less applicable cancellation fees.

G. Death/Disability of Qualified Beneficiary

Refunds equal to amount paid with all accrued earnings will be made to purchaser.

H. Changes from Previous Valuation

None.

I. Other Ancillary Benefits

There are no ancillary benefits.

RSM US LLP

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

Honorable William G. Holland
Auditor General
State of Illinois, and

Mr. Miguel del Valle
Acting Chair of the Governing Board
Illinois Student Assistance Commission

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Illinois Prepaid Tuition Program of the State of Illinois, Illinois Student Assistance Commission, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2015. That report contains an emphasis of matter paragraph which states "as discussed in Notes 10 and 11, the Illinois Prepaid Tuition Program has a deficit as of June 30, 2015 of $236 million. The amount of the reported deficit is highly dependent on the actuarial assumptions used to calculate the actuarial present value of future tuition benefits obligations."

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting (internal control) of the Illinois Prepaid Tuition Program 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, Illinois Student Assistance Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Student Assistance Commission*,* Illinois Prepaid Tuition Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with 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.*

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, Illinois Student Assistance Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Illinois Student Assistance Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Schaumburg, Illinois
December 18, 2015