COLLEGE ILLINOIS!

**Prepaid Tuition Program**

# Annual Report

## Fiscal Year 1999

Illinois Student Assistance Commission

COLLEGE ILLINOIS!

ILLINOIS PREPAID
TUITION PROGRAM:
ILLINOIS STUDENT
ASSISTANCE COMMISSION

February 25, 2000

The Honorable George H. Ryan, Governor of the State of Illinois
The Honorable James "Pate" Philip, President of the Illinois Senate
The Honorable Michael J. Madigan, Speaker of the Illinois House of Representatives
The Honorable William Holland, Auditor General of the State of Illinois
Members of the Illinois Board of Higher Education
Citizens of Illinois

In compliance with Public Act 90-0546, we are pleased to present the fiscal year 1999 Annual Report for *College Illinois!*, the Illinois Prepaid Tuition Program. This report references the first full year of operations for the Program, including the Program's initial enrollment period – from October 15, 1998, through February 12, 1999 – during which more than 11,000 *College Illinois!* prepaid tuition contracts were purchased.

The Program's first Actuarial Soundness Report, prepared by PricewaterhouseCoopers LLP, is included in its entirety within this Annual Report and shows *College Illinois!* to be actuarially sound. The Program's total value of assets including future payments was approximately $144.1 million and was found to be sufficient to cover future payout obligations. The Soundness Report further concluded that the expected value of the program's assets exceeds the expected value of the program's liabilities by $3,811,129 as of June 30, 1999. Unaudited summary financial statements for the period ending June 30, 1999, are also provided. Final audited data will be made publicly available on the *College Illinois!* Web site upon completion of the audit.

We are pleased with the overwhelmingly positive public response to the *College Illinois!* program. We believe strongly that *College Illinois!* should be the cornerstone of every Illinois family's plan to pay for higher education. We encourage you to contact *College Illinois!* if you have any questions regarding the Program or this report.

Sincerely,

Larry E. Matejka

Larry E. Matejka, Executive Director
Illinois Student Assistance Commission

Donald M. Prince, Director
*College Illinois!*

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Deerfield, IL 60015-5209
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## The Illinois Student Assistance Commission

**J. Robert Barr, Chairman**
Attorney, Sidley & Austin, of Evanston

**Dr. William J. Hocter, Vice Chairman**
Adjunct Professor, DePaul University, of Glencoe

**John Albin**
Owner, Albin Farms, and President, Longview Corporation, of Newman

**Pauline Betts**
Counselor and Dean of Guidance, Springfield High School, of Springfield

**Odell Hicks, Jr.**
President, Odell Hicks & Company, of Chicago

**Brian Kelly**
Student Commissioner, of Orland Park

**Claudia Mancini**
Executive Director, Educational Assistance Limited, of Clarendon Hills

**C. Richard Neumiller**
Retired, Central Illinois Light Company, of Peoria

**Gretchen A. Winter**
Vice President and Counsel, Baxter International, Inc., of Chicago

## *College Illinois!* Investment Advisory Panel

**Linda Bates**
Certified Financial Planner, of Kenilworth

**George Clam**
President, Oak Brook Bank, of Woodridge

**Michael Colsch**
Deputy Director, Bureau of the Budget, of Springfield

**Patricia Hurston**
Senior Vice President, Bank One, of Chicago

**Thomas Kiley**
Managing Director, Melvin Securities Corporation, of Chicago

**Michael Neill**
Trust Officer, First National Bank and Trust of Carbondale, of Carbondale

**Chuck Taylor**
Retired, Illinois State University, of Bloomington

# PROGRAM OVERVIEW

*College Illinois!*, the Illinois Prepaid Tuition Program, is administered by the Illinois Student Assistance Commission, the state agency that has been helping Illinois families pay for college for more than 40 years. As a qualified state tuition program under Section 529 of the Internal Revenue Code, *College Illinois!* gives individuals the chance to prepay tomorrow's college tuition and mandatory fees based on today's prices. The Program was enacted by the General Assembly and then signed into law by the Governor in November 1997.

*College Illinois!* offers plans for public university semesters, community college semesters and a combined plan that includes two years at a community college and two years at a public university. Plans can be purchased one semester at a time or up to a maximum of nine semesters for any one future student. Benefits may also be used at private colleges within Illinois and at public universities and private colleges and universities across the country as well.

The program has no age restrictions for future students. Beneficiaries of a plan do not have to choose a school until time of college enrollment. Plans can be purchased with a single lump-sum payment, or in monthly installments for five or ten years (for an eight or nine semester plan). *College Illinois!* covers undergraduate tuition and mandatory fees but does not cover other expenses such as room and board, books and transportation.

Benefits provided by *College Illinois!* are entirely exempt from Illinois state income tax and federal tax (on earnings) begins only after the student enrolls in college and uses the benefits. The earnings will then be taxed at the student's federal income tax rate, which will most often be lower than the purchaser's rate.

*College Illinois!* is the only college funding tool backed by the State of Illinois that can immunize purchasers against tuition and fee inflation, stock market volatility and any decline in family purchasing power before selecting a college or starting the hunt for financial aid. It is an affordable, flexible and tax-advantaged program, designed to be the cornerstone of any family's college funding plan.

# FINANCIAL STATEMENTS

**STATE OF ILLINOIS**
**ILLINOIS STUDENT ASSISTANCE COMMISSION**

Combining Balance Sheet - *College Illinois!*

June 30, 1999
(All dollar amounts are expressed in thousands) (Unaudited)

| **Assets** | | 1999 |
|---|---|---|
| Cash and cash equivalents | $ | 65,360 |
| Investments | | - |
| Receivables: | | |
| Accrued interest on loans | | - |
| Accrued interest on investments | | 242 |
| Restricted Assets: | | - |
| Cash and cash equivalents | | - |
| Investments | | - |
| Accrued interest on investments | | - |
| Due from other funds | | - |
| Fixed assets, net of accumulated | | - |
| depreciation | | 6 |
| Other assets | | - |
| Total assets | $ | 65,608 |
| **Liabilities and Program Equity** | | |
| Accounts payable and accrued expenses | | 119 |
| Accrued interest payable | | - |
| Tuition payable | | 63,372 |
| Accretion payable | | 1,076 |
| Long-term debt: | | |
| Revenue Notes Payable | | - |
| Revenue Bonds Payable | | - |
| Due to other funds | | 1,750 |
| Total Liabilities | | 66,317 |
| Retained earnings-reserved | | (709) |
| Total liabilities and program equity | $ | 65,608 |

**STATE OF ILLINOIS**
**ILLINOIS STUDENT ASSISTANCE COMMISSION**

Combining Statement of Revenues, Expenses and Changes in Retained Earnings - *College Illinois!*

Year ended June 30, 1999
(All dollar amounts are expressed in thousands) (Unaudited)

| | | 1999 |
|---|---|---|
| Interest revenue: | | |
| Interest on loans | $ | - |
| Interest on investment securities | | 23 |
| Total revenue | | 23 |
| Interest expense: | | |
| Interest on bonds payable | | - |
| Interest on notes payable | | 21 |
| Total interest expense | | 21 |
| Net interest income | | 2 |
| Other income: | | |
| Application & other fees | | 1,434 |
| Other | | - |
| Net interest income and other income | | 1,436 |
| Other expenses: | | |
| Salaries and employee benefits | | 319 |
| Accretion expenses | | 341 |
| Management and professional services | | 1,434 |
| Depreciation | | 1 |
| Other | | 50 |
| Total other expenses | | 2,145 |
| Net income | | (709) |
| Retained earnings: | | |
| Beginning of year, as restated | | - |
| End of year | $ | (709) |

**STATE OF ILLINOIS**
**ILLINOIS STUDENT ASSISTANCE COMMISSION**

Combining Statement of Cash Flows - *College Illinois!*

Year ended June 30, 1999
(All dollar amounts are expressed in thousands) (Unaudited)

| | | 1999 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ | (709) |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation | | 1 |
| Net increase in fair value of investments | | - |
| Accretion recorded on bonds | | - |
| Changes in assets and liabilities: | | |
| Accrued interest on loans | | - |
| Accrued interest on investments | | (242) |
| Other assets | | (3) |
| Other liabilities | | 64,448 |
| Accounts payable and accrued expenses | | 119 |
| Net cash used in operating activities | | 63,614 |
| Cash flows from noncapital financing activities: | | |
| Proceeds from borrowing | | 500 |
| Interest paid | | (21) |
| Net cash provided by noncapital financing activities | | 479 |
| Cash flows used in capital and related financing activities: | | |
| Purchase of office equipment | | (6) |
| Cash flows from investing activities: | | |
| Proceeds from maturities of investments | | - |
| Proceeds from sales of investments | | - |
| Purchases of investments | | - |
| Interest and dividend on investments | | 23 |
| Net cash provided by (used in) investing activities | | 23 |
| Net increase (decrease) in cash and cash equivalents | | 64,110 |
| Cash and cash equivalents at beginning of year | | 1,250 |
| Cash and cash equivalents at end of year | $ | 65,360 |
| Supplemental disclosure of cash flow information - cash paid for interest | | - |

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In November of 1997 the General Assembly and the Governor approved legislation authorizing the Illinois Student Assistance Commission to administer an Illinois Prepaid Tuition Program. The purpose of the Program is to provide Illinois families with an affordable tax-advantaged method to pay for college. *College Illinois!* prepaid tuition contracts will allow participants to prepay the cost of tuition and mandatory fees at Illinois public universities and community colleges at today's prices. 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. In June of 1998, the Commission was provided with a $1,250,000 General Revenue Fund loan to cover administrative costs associated with the start-up of the Program.

The first contracts were offered for sale in the fall of 1998. The first enrollment period ended February 12, 1999, with more than eleven thousand contracts purchased. As of June 30, 1999, the fund has received cash collections of over $64,000,000.

The Illinois Prepaid Tuition Program is administered by the Illinois Student Assistance Commission with advice and counsel from an Investment Advisory Panel consisting of seven members appointed by the Commission.

## A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with GASB Statement No 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. They apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and all Financial Accounting Standards Board Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins issued after November 30, 1989, except those that conflict with or contradict the GASB pronouncements.

## B. Reporting Entity

The accompanying financial statements report the financial position, results of operations, and cash flows of the Illinois Prepaid Tuition Trust Fund as of and for the fiscal year ended June 30, 1999. For financial reporting purposes, the Fund is considered as a separate accounting entity to be administered by the Illinois Student Assistance Commission.

### C. Fund Accounting

The activities of the Fund are accounted for in an enterprise fund. The enterprise fund accounts for resources received and used for financing self-supporting activities of the Illinois Prepaid Tuition Trust Fund that offer services on a user-charge basis to the general public. The measurement focus is based upon determination of net income.

### D. Basis of Accounting

The financial statements are presented on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when the liability is incurred.

### E. Cash

Cash includes the balance deposited at Bank One and Mercantile Bank and the cash deposited with the State Treasurer's Account at Northern Trust Co. Interest is earned and accrued on a monthly basis at Mercantile Bank, Bank One and the State Treasury.

| | |
|---|---|
| Cash Balance at Bank One | $ 74,000 |
| Cash Balance at Mercantile Bank | 268,000 |
| Total in Bank Accounts | 342,000 |
| Cash Deposited with State Treasurer | $ 65,018,000 |
| Total Cash balance as of June 30, 1999 | $ 65,360,000 |

### F. Investments

The Illinois Student Assistance Commission is required annually to adopt a comprehensive investment plan to invest the funds received through contract payments. The Commission approved the program's first investment plan, the *College Illinois!* Statement of Investment Policy, on January 22, 1999. The comprehensive investment plan specifies the investment policies to be utilized by the Commission in its administration of the Illinois Prepaid Tuition Trust Fund. The Commission may direct

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that assets of those funds be invested in a manner which will provide the investment return and risk level consistent with the actuarial return requirements, risk levels and cash flow demands of the Fund. The investments should be in compliance with all applicable federal and state laws and other statutes governing the investment of Tuition Trust Funds.

The Illinois Student Assistance Commission has retained State Street Global Advisors and Brinson Partners as investment managers to assist with the investment of the fund assets for the Illinois Prepaid Tuition Trust Fund. A total of $60,000,000 of contract payments received was invested in July, 1999. The program has retained Watson Wyatt Investment Consulting to evaluate the investment performance of the Program on a quarterly basis.

**G. Property, Plant and Equipment**

Fixed assets are capitalized and depreciated on a straight-line basis over a period of five years. Fixed assets are valued at historical cost or estimated historical cost. The Fund capitalizes all property, plant and equipment that have a cost or value greater than one hundred dollars.

| | |
|---|---|
| Equipment | $ 7,000 |
| Less: accumulated depreciation | 1,000 |
| Total Property, Plant and Equipment | $ 6,000 |

**H. Retirement Plan**

All Commission employees participate in the State Employees' Retirement System of Illinois. The Commission makes contributions, recorded as expenditures, at a rate determined by the Retirement System to provide for future retirement benefits.

**I. Compensated Absences**

Employee vacation and sick leave are recognized in the period that they are earned. Vacation pay accumulates until taken and is limited to the number of hours allowed based upon years of service as specified by ISAC's policy.

As of June 30, 1999, accumulated unpaid employee vacation and sick leave aggregated $36,000 and is included within accrued expenses in the accompanying balance sheets.

**J. Tuition Payable**

Tuition Payable in the Illinois Prepaid Tuition Trust Fund represents the net principal payments received for the contracts held by the fund as of June 30, 1999.

**K. Accretion Payable**

Accretion payable is the estimated tuition payment to be made in excess of principal payment received and is expected to be earned from investments of tuition contracts. The Accretion Payable for the fiscal year 1998-1999 is estimated as a percentage of net tuition contracts paid to date. The rate is 7% and is based on an actuarial report prepared by PricewaterhouseCoopers.

| | |
|---|---|
| Balance of Tuition Payable as of June 30,1999 | $ 63,372,000 |
| Actuarial Estimate of 7% of tuition payable | 4,436,000 |
| Present Value | 4,303,000 |
| ¼ of Estimated Amount | 1,076,000 |

For fiscal year 1999 since the actual cash was primarily received only during the last quarter, accretion expense was calculated at ¼ of estimated amount.

**L. Accretion Expense**

The excess of interest on investment income that relates to the principal investment contribution over the accretion payable is booked as investment revenue. The excess of accretion payable over the investment income is booked as accretion expenses.

| | |
|---|---|
| Interest Income from Investments | $ 735,000 |
| Accretion Expense | 1,076,000 |
| Revenue (Expense) | (341,000) |

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**Actuarial Reserve**

The Illinois Student Assistance Commission is required to prepare a report describing the financial condition of the Program. Included in this report shall be an actuarial evaluation of the financial viability of the program. An Actuarial Soundness Report was prepared on the *College Illinois!* Prepaid Tuition Program by PricewaterhouseCoopers. As per the report, there is an actuarial reserve of $3,811,000 in the Program.

| | |
|---|---|
| Market Value of Assets | $ 65,350,000 |
| Actuarial present value of future payments expected, to be made by contract purchasers | 78,742,000 |
| Subtotal | 144,102,000 |
| Actuarial present value of future payments expected to be made from the trust fund | 140,291,000 |
| Reserve as of June 30, 1999 | 3,811,000 |

# ACTUARIAL REPORT

COLLEGE ILLINOIS!

PREPAID TUITION PROGRAM

# Actuarial Soundness Report as of June 30, 1999

December, 1999

PRICEWATERHOUSECOOPERS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
2050 North Woodward Avenue, Suite 200
Bloomfield Hills, MI 48304-2260
Telephone (313) 394 3942
Facsimile (313) 394 3456

October 5, 1999

Mr. Don Prince
Director, College Illinois!
1755 Lake Cook Rd
Deerfield, IL
60015

Dear Mr. Prince:

This report presents the results of the June 30, 1999 actuarial valuation of the College Illinois! Prepaid Tuition Program. The valuation compares the value of the assets of the program to the value of expected future tuition payments to beneficiaries. The following pages summarize the actuarial valuation of the trust fund performed by PricewaterhouseCoopers LLP as of June 30, 1999.

A comparison of the assets and liabilities of the trust fund shows that as of June 30, 1999 there is an actuarial reserve of $3,811,129.

The actuarial valuation was performed based upon generally accepted actuarial principles, and tests were performed as considered necessary to ensure the accuracy of the results. We certify that the amounts presented in the following pages have been appropriately determined according to the actuarial assumptions stated herein.

Respectfully submitted,

PricewaterhouseCoopers LLP

Richard M. Kaye
Fellow of the Society of Actuaries, CPA
Managing Partner, Global Human Resource Solutions

Kevin K. Vesel
Actuary
Management Consulting Solutions

# Table of Contents

**Section**

# Introduction

# Introduction

**Purpose**
College Illinois! Prepaid Tuition Program (CIPTP) has engaged PricewaterhouseCoopers LLP (PwC) to provide a determination of the soundness of the Illinois Prepaid College Trust Fund (Trust Fund) as of June 30, 1999. This soundness measure results in a point estimate of the actuarial reserve associated with the Trust Fund as of June 30, 1999.

**Reliance Upon CIPTP Data**
The data used in this analysis were prepared by and are the responsibility of the management of CIPTP. At the time of this review, the data were unaudited.

**Limitations**
The projected benefits, refunds, expenses, investment income, contract payments, and resulting actuarial reserve shown in this report are point estimates. As estimates, these values are subject to variability. The possibility of this variability arises from the fact that not all factors affecting the projections have taken place and cannot be evaluated with absolute certainty. We have, however, used methods of estimation that we believe produce reasonable results given current information. No guarantee should be inferred that cash flows will develop as shown in this report.

# Executive Summary

# Executive Summary

### Valuation Results
As of June 30, 1999 the trust has an actuarial reserve of $3,811,129 (the value of assets, including the value of future payments by contract purchasers, exceeds the expected liabilities of the trust by that amount).

### Contracts in Force
As of June 30, 1999, the total contracts in force (net of cancellations) for CIPTP was 11,252. The majority of contracts sold for were for four years at a university, accounting for 45% of all contract sales. Contracts for university enrollment represents approximately 85% of sales. Contracts for community college enrollment and combined community college and university enrollment account for approximately 15% of sales. Enrollment data is summarized in Appendix D.

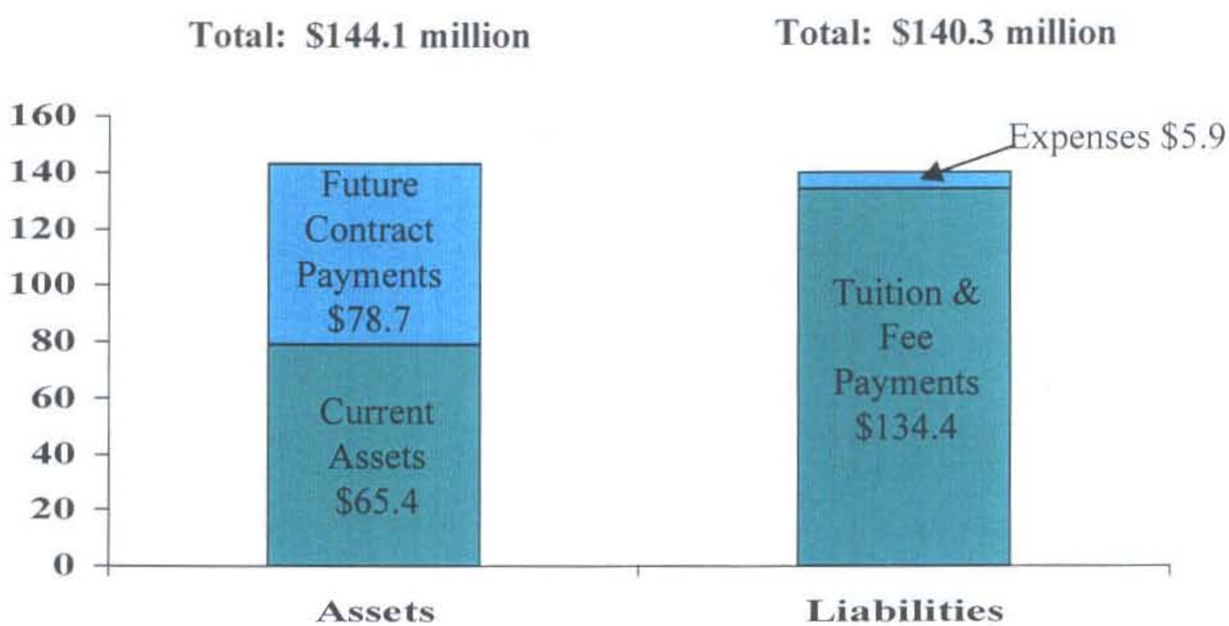
### Weighted Average Tuition
The Weighted Average Tuition (WAT) is the average of tuition and fees for public in-state schools weighted in proportion to the number of Illinois resident students attending such schools. The 1999-2000 Illinois public university WAT is $4,222. The 1999-2000 Illinois community college WAT is $1,580.

### Actuarial Assumptions
Tuition and fees are assumed to increase at 7.0%, while investments are expected to earn 8.0% per annum. The actuarial assumptions and methods are fully described in the following section of this report.

## Funded Status

The value of assets as of June 30, 1999 (including the value of future payments by contract purchasers) exceeds the expected liabilities of the trust fund by $3,811,129. The funded ratio, assets divided by liabilities, is equal to 102.7%. The assumptions used to perform the actuarial valuation of the fund are described in Section 2. The primary assumptions are:

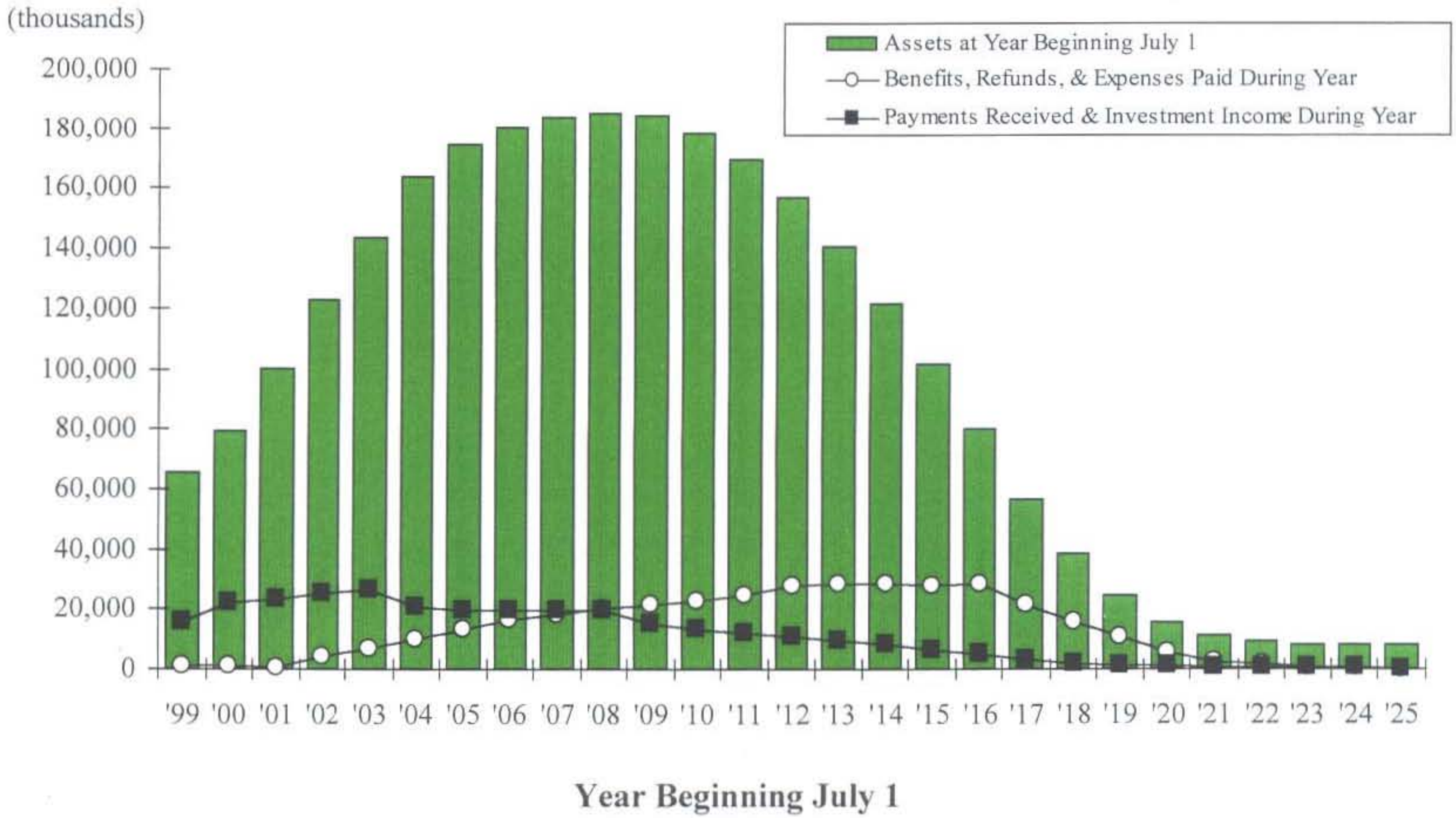
| | |
|---|---|
| Tuition Increases | 7.0% per annum |
| Investment Return | 8.0% per annum |



# COLLEGE ILLINOIS! PREPAID TUITION PROGRAM

## Cash Flow Projection

The expected income and disbursements of the Trust Fund, based on the assumptions used in the actuarial valuation, and the current group of contract beneficiaries, are shown below. These amounts are cash amounts, not present value amounts.

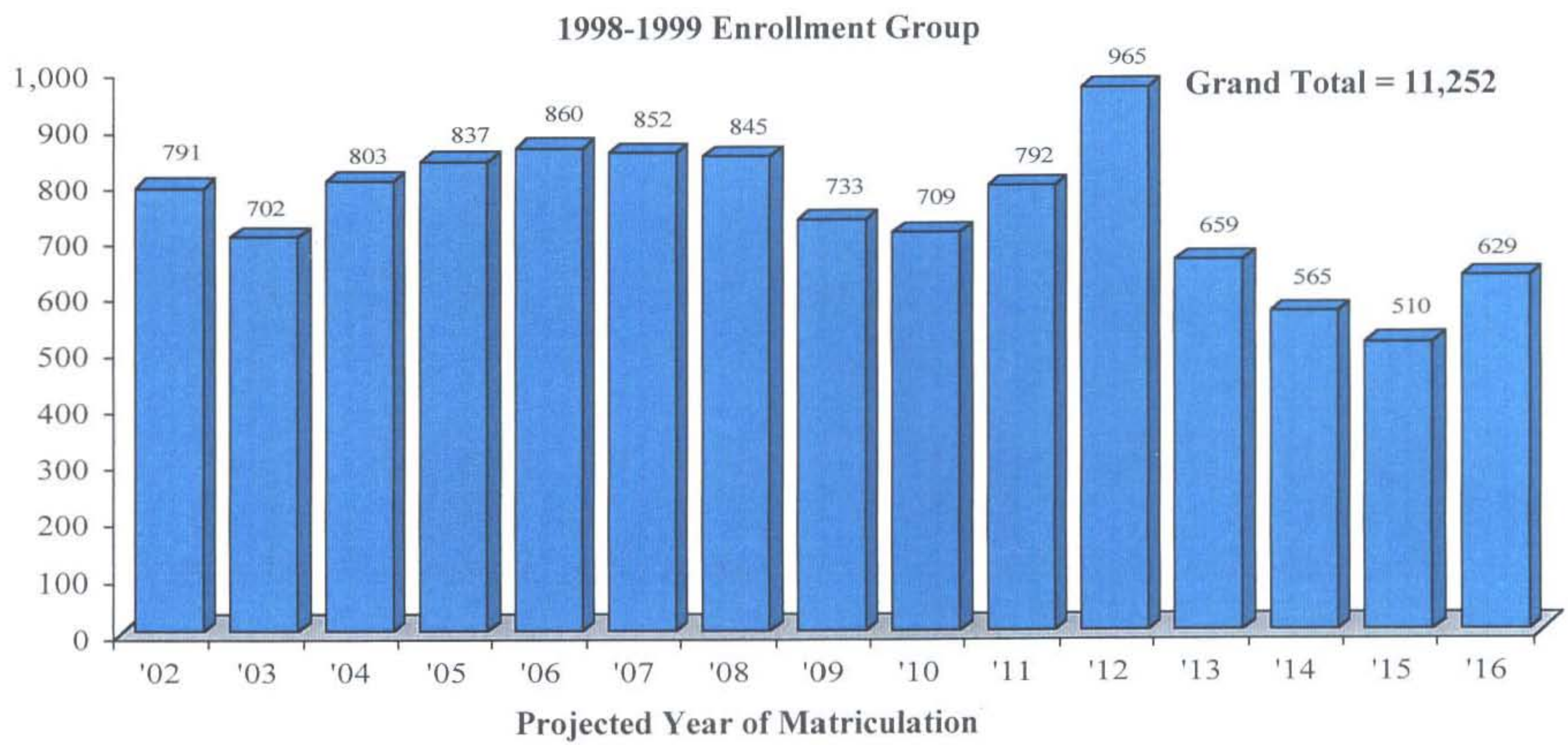



PRICEWATERHOUSECOOPERS

# COLLEGE ILLINOIS! PREPAID TUITION PROGRAM

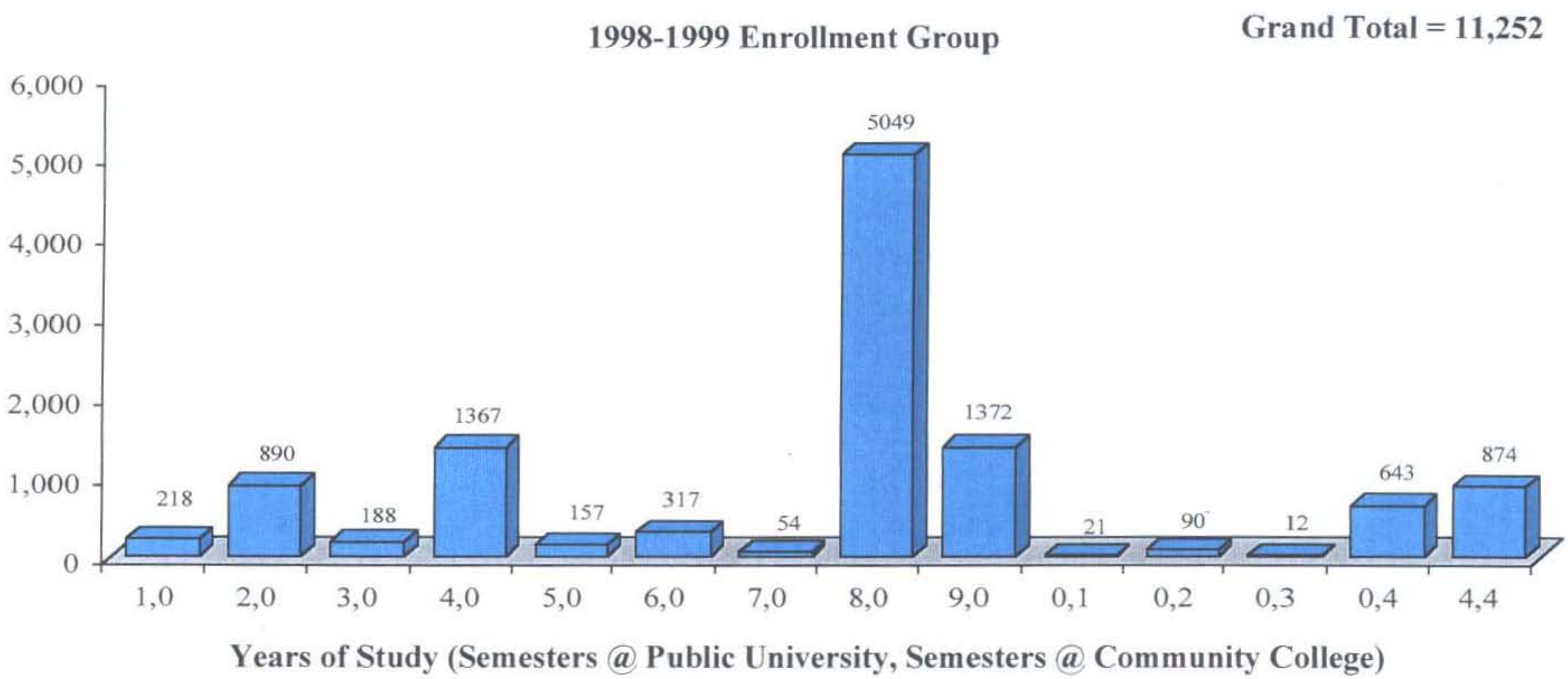
## Contracts in Force for the 1998-1999 Enrollment Group

The chart below illustrates the total number of active contracts by expected year of community college or university matriculation for the 1998-1999 enrollment group.



## Type of Contract Sold to the 1998-1999 Enrollment Group

Contracts can be purchased for a variety of plans. The chart below illustrates the total number of active contracts from the 1998-1999 enrollment period by type of plan.



# Valuation Assumptions and Methods

# Actuarial Assumptions

The assumptions used in the actuarial valuation of the Trust Fund are described below. These assumptions were approved by the Commission.

Tuition and Fee Increases. The Weighted Average Tuition (WAT) for universities and community colleges is projected to increase 7.0% per annum for tuition and fees based on historical data.

Investment Return. The actuarial valuation of the Trust Fund was determined using an assumed 8.0% rate of return on investments. We further assume the Trust Fund is exempt from federal income tax.

Administrative Expenses. Administrative expenses of the program are assumed to be paid through a combination of investment earnings and fees assessed on purchasers. The expenses to be assumed for the fiscal years 2000 thru 2003 were provided by College Illinois! and were respectively as follows for those years: $2,797,000; $3,010,000; 3,438,000;and $3,797,000. Included in those amounts were loan repayments of $385,000; $377,000; $368,000; and $359,000, which amounts were also provided by College Illinois!. It was assumed that annual administrative expenses after 2003 will increase each year at the rate of 3.5% per annum and that all expenses would be spread over current and future contract sales.

Enrollment of CIPTP Beneficiaries. It is assumed that beneficiaries will attend college full-time commencing with their expected matriculation date (the Fall following high school graduation). Contract beneficiaries are assumed to attend the various colleges and universities in the same proportion as the headcount information that was used to determine 1999-2000 WAT with a bias load added to allow for a bias toward enrollment at more expensive schools.

Bias Load. The liabilities have been loaded 4.7% to reflect the possibility that beneficiaries of a College Illinois! contract that attend Illinois public institutions will attend relatively more expensive schools than students who attend Illinois public institutions without the benefit of a College Illinois! Contract.

Future Contract Sales. It is assumed that 8,500 contracts will be sold in 1999 and 2000. Contract sales will increase by 2% in 2001 and 2002. It is assumed that contract sales will increase by 1% in 2003 and 2004. Contract sales will remain constant at 9,020 annually thereafter.

# Actuarial Assumptions (continued)

Cancellations, Terminations and Refunds. It is assumed that 8% of contracts sold will not be utilized at a Illinois public post-secondary institution. These contracts are referred to as "non-public use" contracts. This rate is based on similar prepaid tuition programs.

Deaths and Disabilities. Mortality rates for beneficiaries are assumed to follow the 1990 U.S. Life Tables.

Utilization of Benefits. We assume beneficiaries use the benefits as described by the CIPTP master agreement according to the following schedule:

**Distribution of Benefit Utilization**

| Xth Year Since Matriculation | Number of Semesters Purchased | | | | |
|---|---|---|---|---|---|
| | 1-2 | 3-4 | 5-6 | 7-8 | 9 |
| 1 | 80% | 45% | 33% | 24% | 20% |
| 2 | 15% | 30% | 25% | 24% | 19% |
| 3 | 5% | 15% | 18% | 20% | 17% |
| 4 | | 5% | 12% | 18% | 15% |
| 5 | | 5% | 7% | 7% | 13% |
| 6 | | | 3% | 3% | 7% |
| 7 | | | 2% | 2% | 5% |
| 8 | | | | 1% | 3% |
| 9 | | | | 1% | 1% |

# Actuarial Methods

The actuarial valuation of the Trust Fund is based on projections of the tuition and mandatory fee amounts expected to be paid from the Trust Fund to community colleges and universities, and the expected amounts to be paid into the Trust Fund by contract purchasers. The actuarial valuation is based on the data summarized below furnished by the CIPTP office.

CIPTP Beneficiaries (Appendix D). The future payments expected to be made to and from the Trust Fund have been derived based on the number of contracts shown in Appendix D.

Weighted Average Tuition: Four Year Universities. The Weighted Average Tuition (WAT) for four year public universities in Illinois is the average of tuition and mandatory fees at each of the four year universities weighted by resident enrollment headcount at each university. The WAT for public universities is $4,222 for 1999-2000.

Weighted Average Tuition: Community Colleges. The WAT for community colleges is $1,580 for 1999-2000.

# Sensitivity Testing

## Sensitivity Testing

The Trust Fund operates under conditions of risk and uncertainty. For example, while we assume the assets of the fund will earn 8.0% each year through the life of the contracts, we also expect actual returns to vary from year to year. To accept the reasonableness of the basis for the measurement of the soundness it is useful to know how the status of the fund may be affected by the vagaries of the markets and other factors.

We have rerun the valuation under alternative scenarios for future investment income and tuition increases. In this report we present results under the following alternative scenarios:

1. Tuition increases are 25 basis points higher in each future year than assumed in the measurement of soundness.

2. The ultimate investment return is 25 basis points lower than assumed in the measurement of soundness.

3. Tuition increases are 25 basis points higher in each future year and the ultimate investment return is 25 basis points lower than assumed in the measurement of soundness.

4. The sale of future contracts is 1000 lower each year than assumed in the measurement of soundness(please note that if the sale of future contracts were instead 1000 higher each year than assumed, the actuarial reserve at 6/30/99 would then be about $4,500,000)

The actuarial reserve as of June 30, 1999 under each of these scenarios is presented in the following table:

| Scenario | Indicated Actuarial Reserve As of 6/30/99 |
|---|---|
| 1 | **$157,788** |
| 2 | **$637,254** |
| 3 | **($3,132,484)** |
| 4 | **$3,134,928** |

# Plan Provisions

# Plan Provisions

The plan covers the tuition and mandatory fees at an Illinois public university(or community college, depending on the type of contract purchased) based on the in-state(or in- district) undergraduate rate for a full-time student. Mandatory fees are those fees required as a condition of enrollment for all students attending the particular institution. The plan contract will not pay for optional fees nor will it pay for room, board, travel, special fees for specific courses, books, supplies, equipment, or other merchandise, even if these charges are required of all students.

Payment Options: Available options include a one-time lump sum payment, a 60-month installment option, and 120 - month installments.

Private or Out-of-State Institutions: If the contract is utilized to attend a private or out- of- state institution, then College Illinois! 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).Alternatively, benefits can be transferred to a member of the family or a purchaser can also choose to receive a refund payment equal to all contributions, plus two percent interest, less a cancellation fee.

Scholarship: When a qualified beneficiary is awarded a grant or scholarship that duplicates the benefits covered by a prepaid tuition contract, the moneys paid for the purchase of the contract will be returned to the the purchaser upon request in semester installments. The installments will be in an amount equal to the lesser of (I) the original purchase price plus two percent interest compounded annually or (II) the current cost of tuition and mandatory fees at the MAP-eligible institution where the qualified beneficiary is enrolled.

Not Attending an Institution of Higher Education: Benefits can be transferred to a member of the "family". 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, less a cancellation fee.

Death or Disability: In the event of death or total disability of the qualified beneficiary, moneys paid for the purchase of the contract will be returned to the purchaser with all accrued earnings.

Contract Conversion: In cases where a public university plan contract is converted for usage at a community college, then the amount refunded shall be the current value of the original contract minus the current value of the contract after conversion.

# Appendices

## Funded Status

## Appendix A

| | | |
|---|---|---|
| a. | Market Value of Assets | $65,359,966 |
| b. | Actuarial present value of future payments expected to be made to the fund by contract purchasers | $78,741,938 |
| c. | Subtotal (a + b) | $144,101,904 |
| d. | Actuarial present value of future payments expected to be made from the trust fund to universities for tuition and mandatory fees, and for administrative expenses attributable to the current enrollment group | $140,290,775 |
| e. | Reserve as of June 30, 1999 (c - d) | $3,811,129 |

# Trust Assets

## Appendix B

| Summary of Assets | Market Value |
|---|---|
| Cash deposited with banks | $342,355 |
| Cash deposited with Treasurer | $65,017,611 |
| **Total Assets as of June 30, 1999** | **$65,359,966** |

The above information was based on unaudited financial statements provided by the CIPTP office.

# COLLEGE ILLINOIS! PREPAID TUITION PROGRAM

## Cash Flow Projection

## Appendix C

| Year Beginning 7/1/XXXX | Assets at Beginning of Year | Payments Out of Trust Fund | Payments Into Trust Fund | Investment Income |
|---|---|---|---|---|
| 1999 | 65,359,966 | 1,278,949 | 9,913,820 | 5,546,065 |
| 2000 | 79,540,902 | 974,596 | 15,030,590 | 6,898,325 |
| 2001 | 100,495,221 | 866,585 | 15,022,208 | 8,580,394 |
| 2002 | 123,231,238 | 4,330,926 | 14,979,755 | 10,203,512 |
| 2003 | 144,083,579 | 6,829,586 | 14,887,470 | 11,728,085 |
| 2004 | 163,869,548 | 10,084,004 | 8,067,774 | 12,861,087 |
| 2005 | 174,714,405 | 13,428,651 | 5,921,604 | 13,457,088 |
| 2006 | 180,664,446 | 16,314,252 | 5,916,168 | 13,771,206 |
| 2007 | 184,037,567 | 18,441,441 | 5,905,690 | 13,921,464 |
| 2008 | 185,423,280 | 20,264,325 | 5,855,466 | 13,928,219 |
| 2009 | 184,942,640 | 21,266,399 | 1,481,372 | 13,662,026 |
| 2010 | 178,819,639 | 22,461,213 | 0 | 13,047,129 |
| 2011 | 169,405,555 | 24,336,337 | 0 | 12,188,944 |
| 2012 | 157,258,162 | 27,660,806 | 0 | 11,030,892 |
| 2013 | 140,628,248 | 28,442,459 | 0 | 9,656,705 |
| 2014 | 121,842,494 | 28,565,666 | 0 | 8,146,941 |
| 2015 | 101,423,769 | 27,841,190 | 0 | 6,554,034 |
| 2016 | 80,136,613 | 28,435,077 | 0 | 4,817,787 |
| 2017 | 56,519,324 | 21,355,701 | 0 | 3,325,043 |
| 2018 | 38,488,665 | 15,777,382 | 0 | 2,195,129 |
| 2019 | 24,906,411 | 10,504,608 | 0 | 1,403,968 |
| 2020 | 15,805,771 | 5,504,582 | 0 | 956,055 |
| 2021 | 11,257,244 | 2,778,249 | 0 | 744,922 |
| 2022 | 9,223,917 | 1,685,622 | 0 | 643,472 |
| 2023 | 8,181,767 | 825,550 | 0 | 608,288 |
| 2024 | 7,964,505 | 365,386 | 0 | 616,689 |



PRICEWATERHOUSECOOPERS

## CIPTP Beneficiaries

## Appendix D

| Projected Enrollment Year | Plan Type (Semesters @ Public University, @ Community College) | | | | | | | | | | | | | | Total Enrollment by Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 4,4 | |
| 2002 | 20 | 98 | 19 | 177 | 24 | 90 | 19 | 185 | 61 | 0 | 17 | 2 | 26 | 53 | 791 |
| 2003 | 11 | 47 | 16 | 109 | 19 | 31 | 3 | 276 | 77 | 1 | 10 | 2 | 36 | 64 | 702 |
| 2004 | 15 | 59 | 15 | 111 | 10 | 29 | 2 | 364 | 77 | 0 | 5 | 3 | 39 | 74 | 803 |
| 2005 | 15 | 69 | 13 | 120 | 18 | 23 | 5 | 359 | 89 | 3 | 3 | 1 | 48 | 71 | 837 |
| 2006 | 25 | 78 | 14 | 129 | 16 | 15 | 2 | 347 | 93 | 2 | 5 | 2 | 55 | 77 | 860 |
| 2007 | 16 | 81 | 14 | 112 | 10 | 24 | 2 | 360 | 100 | 0 | 3 | 0 | 57 | 73 | 852 |
| 2008 | 13 | 75 | 14 | 80 | 12 | 18 | 2 | 405 | 84 | 3 | 5 | 1 | 55 | 78 | 845 |
| 2009 | 13 | 50 | 12 | 69 | 11 | 15 | 2 | 345 | 101 | 1 | 4 | 0 | 45 | 65 | 733 |
| 2010 | 14 | 63 | 10 | 76 | 5 | 18 | 4 | 324 | 98 | 2 | 6 | 0 | 45 | 44 | 709 |
| 2011 | 11 | 50 | 10 | 88 | 5 | 8 | 1 | 408 | 103 | 1 | 2 | 0 | 43 | 62 | 792 |
| 2012 | 10 | 56 | 21 | 101 | 9 | 16 | 1 | 482 | 134 | 2 | 6 | 0 | 64 | 63 | 965 |
| 2013 | 17 | 37 | 8 | 57 | 5 | 11 | 4 | 336 | 97 | 0 | 9 | 0 | 41 | 37 | 659 |
| 2014 | 13 | 41 | 8 | 40 | 6 | 6 | 2 | 291 | 79 | 2 | 4 | 1 | 33 | 39 | 565 |
| 2015 | 8 | 38 | 4 | 41 | 2 | 6 | 1 | 272 | 69 | 2 | 5 | 0 | 31 | 31 | 510 |
| 2016 | 17 | 48 | 10 | 57 | 5 | 7 | 4 | 295 | 110 | 2 | 6 | 0 | 25 | 43 | 629 |
| **Total** | **218** | **890** | **188** | **1,367** | **157** | **317** | **54** | **5,049** | **1,372** | **21** | **90** | **12** | **643** | **874** | **11,252** |
| **Percent** | **1.9%** | **7.9%** | **1.7%** | **12.1%** | **1.4%** | **2.8%** | **0.5%** | **44.9%** | **12.2%** | **0.2%** | **0.8%** | **0.1%** | **5.7%** | **7.8%** | |