

AGENDA ITEM 13.

COLLEGE ILLINOIS!® 529 PREPAID TUITION PROGRAM INVESTMENT PERFORMANCE REPORT AS OF MARCH 31, 2010

Submitted for: Information

Summary: Commissioners and members of the program's Investment Advisory Panel have been provided with a copy of the most recent Investment Performance Analysis for College Illinois! prepared by investment consultant Marquette Associates of Chicago. The report reviews and analyzes the performance of the program's 15 investment managers for both the 3-month and 12-month periods ending March 31, 2010. The report also provides an overview of the capital markets for the same periods. It concludes with a review of the fees associated with investment of program assets, which indicates that investment fees currently paid by the program (46 basis points) are low relative to investment industry standards (66 basis points), for a fund with a similar target allocation. However, investment fees will trend higher as investments are made in the alternative asset classes such as Real Estate, Private Equity, Infrastructure and Hedge Funds.

On March 31, 2010, the program had \$1.005 billion invested, an increase of \$21.57 million from the previous quarter. The increase in the portfolio is attributable primarily to improved market conditions and capital appreciation. Total program investment performance for the quarter was a positive 2.7%, outperforming the actuarial target of 2.3%. Over the trailing 12 months, the Fund returned 25.2%, outperforming the policy benchmark of 23.3%. The asset allocations are summarized as follows: 34.3% in Domestic Fixed Income, 24.9% in Domestic Equities, 10.7% in International Equities, 12.9% in Real Estate debt securities, 13.4% in Hedge Funds, 1% in Private Equity and 2.1% in Cash Equivalents.

As of March 31, 2010, the equities portion of the program's portfolio was diversified among three investment managers in four different mandates: Rhumblin Advisors (Wilshire 5000 Broad Market Index); LSV Asset Management (International Equity); State Street Global Advisors (S&P 500 Index and MSCI EAFE Index). The College Illinois! fixed income portion of the portfolio was managed by six different managers: C.S McKee Investment Managers, Pugh Capital Management, Piedmont Investment Advisors (Domestic Core); Galliard Capital and Income Research & Management (Intermediate Govt/Credit) and State Street Global Advisors (Bar Cap Aggregate Index). Performance data points for each manager are specified within the report.

Action requested: None