

AGENDA ITEM 6.

**COLLEGE ILLINOIS!® PREPAID TUITION PROGRAM
FISCAL YEAR 2010 ANNUAL REPORT**

Submitted for: Information

Summary: The Commission has received copies of the College Illinois!® Prepaid Tuition Program (“Program”) Fiscal Year 2010 Annual Report (2010 Annual report). The 2010 Annual Report was prepared in accordance with the Illinois Prepaid Tuition Act (110 ILCS 979). The actuarial report as of June 30, 2010 was prepared by Richard Kaye and Associates in conjunction with PricewaterhouseCoopers LLP (“Actuarial Report”) which is normally included in its entirety within the 2010 Annual Report.

As in past years, the Annual Report is comprised of the Program’s audited financial statements for the period ending June 30, 2010 and the Actuarial Report. The audited financial statements have not been released at this time and will be provided to the Commission at a later time.

As of June 30, 2010, there is an estimated actuarial deficit of \$340,875,271 utilizing a valuation method which amortizes investment gains and losses over a 5-year timeframe as compared to an estimated deficit of \$515,556,511 as of June 30, 2009. The estimated deficit based on financial assets or the market value approach with no amortization is \$531,271,895, equivalent to a funded ratio of 68.6%. The alternative valuation approach is utilized by most defined benefit plans with long-term investment horizons. The 68.6% actuarial funding level is lower than the 81 percent funded ratio as of June 30, 2008, primarily due to the historic disruption in the financial markets in 2008 and 2009. This funded ratio is a point estimate of the deficit and is based upon a number of assumptions, including expectations regarding future investment returns and future tuition inflation and fees and is subject to considerable uncertainty. The actuary also notes that the Commission has increased contract prices to partially amortize the actuarial deficit and that these actions have had a positive impact on program soundness.

In September 2010, the Commission approved contract price increases for the 2010-2011 pricing period that included, once again, a premium for the purpose of reducing the program’s actuarial deficit. In addition, the Program is now in a year-round enrollment cycle.

Action requested: None