

AGENDA ITEM 11.

APPOINTMENT OF THIRD PARTY SALES AGENTS FOR THE COLLEGE ILLINOIS!® 529 PREPAID TUITION PROGRAM

Submitted for: Action

Summary: On September 25, 2009, the Illinois Student Assistance Commission (ISAC) issued a Request for Proposals (the “**RFP**”) for Third Party Sales Agent (the “**Third Party Sales Agents**”) services for the College Illinois! 529 Prepaid Tuition Program (the “**Program**”).

The RFP sought the services of Third Party Sales Agents to assist ISAC in implementing a strategy that meets legislative intent of the Program to “encourage and better enable Illinois families to help themselves finance the cost of higher education, specifically through a program that provides Illinois families with a method of tax-free and federally tax-exempt savings for higher-education.” 110 ILCS 979/5. By engaging Third Party Sales Agents, ISAC seeks to expand the geographic and demographic reach of the Program, increase sales of Program contracts and increase the overall value of the Illinois Prepaid Tuition Trust Fund (the “**Fund**”).

Since its inception, retail distribution and sales of Program contracts has been performed by internal staff through various marketing and distribution channels including internet, radio, television spots and word of mouth. The total number of contracts sold over the last five years has averaged approximately 4,400 contracts per year. Last year, despite a very difficult economic and financial environment for the country and most families and households, the program was able to sell a total of 3,669 contracts including newborns for a total contract value of \$115 million. To further increase the sales and distribution reach of the program in 2010 and beyond, the Commission recommended that staff look into finding qualified Third Party Sales Agents. The purpose of the Third Party Sales Agents is to enhance the sales capabilities of Program staff.

The Third Party Sales Agent will have the following responsibilities: educate existing and potential customers on features and benefits of the College Illinois! 529 Prepaid Tuition Program, assist existing and potential customers in selection of plans and payments, answer relevant questions regarding the rights and responsibilities of execution of Program contracts, complete Program contract sales and report sales to the College Illinois!® 529 Prepaid Tuition Program.

As presently contemplated, the Third Party Sales Agents will not have any of the traditional marketing responsibility for the Program. Rather, they will provide supplemental sales assistance to the existing in-house sales team. As previously reported, the Program has a strong in-house marketing team and also utilizes outside marketing consultants, as needed, with the goal of meeting the objectives set forth in the marketing plan.

Six (6) firms responded to the RFP, each providing detailed answers to a series of questions about their services, pricing, sales and distribution capabilities and processes. A team of ISAC staff evaluated the responsiveness of the bids, scoring each as to the ability of the bidder to meet overall needs of the Program. The bidders were evaluated as to the quality of services being requested and then ranked based on a combined score of technical and price responses.

Management is now seeking the approval of the Commission to enter into contract negotiations with the successful bidders.

The following firms are recommended for approval as Third Party Sales Agents:

Northern Trust Securities, Inc.
Cabrera Capital Markets, LLC
Grigsby & Associates
North South Capital, LLC
Moonstone Asset Management
AKF Consulting, LLC

Action requested:

That the Commission approve the following resolution:

“BE IT RESOLVED that the Commission authorize the execution and delivery by the Chairman or Executive Director of (A) one or more College Illinois!® 529 Prepaid Tuition Program (the **“Program”**) product sales agreements (**“Third Party Sales Agreements”**) with each of the firms identified on **Exhibit A** hereto (**“the Third Party Sales Agents”**), in form and substance satisfactory to the Chairman or Executive Director, and ISAC’s General Counsel, (b) any amendments to the Third Party Sales Agreements as the Chairman or Executive Director deem acceptable and in the best interests of ISAC and (C) such other documents and instruments as are necessary to consummate the transactions contemplated by the Third Party Sales Agreements and this resolution; **provided, however**, the term of such Third Party Sales Agreements shall not exceed ten (10) years including renewals, and the amount of fees payable by ISAC to any Third Party Sales Agent shall not exceed four percent (4%) of the price of the contracts sold by each such Third Party Sales Agent.”

“BE IT FURTHER RESOLVED that, subject to the limitations set forth in the paragraph above, the Chairman and Executive Director are, and each of them is, hereby authorized to do or perform all such acts and to execute all such documents and other instruments as they or any of them deem necessary, convenient or desirable to consummate the transactions contemplated by this Resolution and all of the acts and doings of the Chairman and Executive Director which are in conformity with the intent and purposes of this Resolution, whether heretofore or hereafter taken or done, shall be and are hereby approved, confirmed and ratified.”