

AGENDA ITEM 10C.

**COLLEGE ILLINOIS!® PREPAID TUITION PROGRAM
ASSET ALLOCATION**

Submitted for: Action

Summary: Included in this agenda item is the Chief Investment Officer Memorandum (CIO) to the Investment Committee and Investment Advisory Panel regarding asset allocation. Additionally, we are providing a copy of the asset allocation study conducted by Callan Associates, ISAC’s Investment Consultant. The study shows the expected risk and return for various asset mixes and the funded status of the portfolio under multiple contract sales scenarios. The scenario analyses detail the deterministic funding projections from the March 31, 2011 Actuarial Soundness Report and provide additional perspective on funding risk under adverse investment performance conditions.

The asset allocation study and CIO recommendations were reviewed and discussed in detail at the May 23, 2012 joint meeting of the Investment Committee and the Investment Advisory Panel. Key points of the discussion included the following.

- Based on Callan’s capital market assumptions, the current actuarial return assumption of 7.5% may be difficult to attain.
- The proposed asset allocation is acceptable if the program can restart contract sales and ramp to meaningful contribution levels.
- The asset allocation will need to shift to a more conservative mix (lower risk and return expectations) if contract sales potential is not realized.
- In any case, the Fund should improve the liquidity profile as able and avoid additional liquidity constrained investments for the foreseeable future.

The Investment Committee approved the asset allocation recommendations as presented in the CIO memo, subject to final approval by the full Commission.

Action requested: Staff requests the Commission approve the long-term and interim targets and the rebalancing ranges as detailed below.

Asset Allocation	Targets			Rebalancing Ranges		Actual 4/30/2012
	old	long-term	Interim	Lower	Upper	
U.S. Equity	15.0%	26.0%	22.0%	17.0%	29.0%	20.2%
Non-U.S. Equity	8.0%	22.0%	12.0%	10.0%	22.0%	9.8%
Fixed Income	30.0%	25.0%	20.0%	15.0%	25.0%	20.4%
Real Estate	20.0%	10.0%	17.0%	10.0%	21.0%	17.6%
Infrastructure	5.0%	0.0%	5.0%	0.0%	8.0%	4.3%
Absolute Return	15.0%	10.0%	10.0%	5.0%	15.0%	14.3%
Private Equity	7.0%	7.0%	13.0%	0.0%	16.0%	12.3%
Cash	0.0%	0.0%	2.0%	0.0%	4.0%	1.1%