COLLEGE ILLINOIS

Annual Report

Fiscal Year 2000

Illinois Student Assistance Commission

COLLEGE ILLINOIS!

ILLINOIS PREPAID
TUITION PROGRAM:
ILLINOIS STUDENT
ASSISTANCE COMMISSION

February 23, 2001

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 2000 Annual Report for *College Illinois!*, the Illinois Prepaid Tuition Program. This report references the second year of operations for the program, including the program's second enrollment period – from October 18, 1999, through February 18, 2000 – during which more than 5,400 new *College Illinois!* prepaid tuition contracts were purchased. After two years of operation, *College Illinois!* contracts in force on June 30, 2000, totaled 15,575.

The Program's most recent Actuarial Soundness Report prepared by Richard M. Kaye and Associates in conjunction with 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 $204 million, which exceeded the actuarial value of the Program's liabilities by $829,023 as of June 30, 2000. Unaudited summary financial statements for the period ending June 30, 2000 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

Randy P. Erford

Randy P. Erford, Director
College Illinois!

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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
Retired Dean of Guidance, Springfield High School, of Springfield

Claudia M. Freed
Executive Director, Educational Assistance Limited, of Clarendon Hills

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

Brian Kelly
Student Commissioner, of Orland Park

Christopher E. Kurczaba
Attorney, Whitcup and Arce, of Park Ridge

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 Glenview

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
Senior Vice President, M. R. Beal and Company, of Frankfort

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
Illinois Prepaid Tuition Program
Financial Statements
For the Year Ended June 30, 2000

STATE OF ILLINOIS Exhibit 1

ILLINOIS STUDENT ASSISTANCE COMMISSION

ILLINOIS PREPAID TUITION PROGRAM

Balance Sheet - (Unaudited)

June 30, 2000

Assets		
Cash and cash equivalents	$	31,242,374
Investments		81,522,966
Receivables:		
Accrued interest on investments		150,630
Fixed assets, net of accumulated depreciation of $3,075		5,458
Total assets		112,921,428
Liabilities and Retained Earnings		
Accounts payable and accrued expenses		201,810
Tuition payable		108,375,199
Accretion payable		6,423,668
Due to other funds		1,050,568
Total liabilities		116,051,245
Retained earnings-reserved		(3,129,817)
Total liabilities and retained earnings	$	112,921,428

See accompanying notes to financial statements.

STATE OF ILLINOIS Exhibit 2
ILLINOIS STUDENT ASSISTANCE COMMISSION
ILLINOIS PREPAID TUITION PROGRAM

Statement of Revenues, Expenses and Changes in Retained Earnings - (Unaudited)
Year ended June 30, 2000

Interest revenue:		
Interest on funds held at US Treasury and banks	$	573,096
Interest on investment securities		1,721,668
Total interest revenue		2,294,763
Interest expense:		
Interest on notes payable		36,814
Total interest expense		36,814
Net interest income		2,257,949
Other income:		
Investment securities gains, net		1,801,300
Application & other fees		1,162,927
Net interest income and other income		5,222,176
Other expenses:		
Salaries and employee benefits		674,323
Accretion expenses		5,347,927
Management and professional services		1,619,129
Depreciation		1,639
Total other expenses		7,643,019
Net loss		(2,420,843)
Retained earnings:		
Beginning of year		(708,974)
End of year	$	(3,129,817)

See accompanying notes to financial statements.

STATE OF ILLINOIS Exhibit 3

ILLINOIS STUDENT ASSISTANCE COMMISSION

ILLINOIS PREPAID TUITION PROGRAM

Statement of Cash Flows - (Unaudited)

Year ended June 30, 2000

Cash flows from operating activities:	
Net loss	$ (2,420,843)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	1,639
Net increase in fair value of investments	(3,522,967)
Changes in assets and liabilities:	
Accrued interest on investments	91,556
Other liabilities	50,351,049
Accounts payable and accrued expenses	83,326
Due to other funds	(700,000)
Net cash provided by operating activities	43,883,760
Cash flows used in capital and related financing activities:	
Purchase of office equipment	(1,352)
Cash flows used in investing activities:	
Purchases of investments	(78,000,000)
Net decrease in cash and cash equivalents	(34,117,592)
Cash and cash equivalents at beginning of year	65,359,966
Cash and cash equivalents at end of year	$ 31,242,374

See accompanying notes to financial statements.

STATE OF ILLINOIS
ILLINOIS STUDENT ASSISTANCE COMMISSION
ILLINOIS PREPAID TUITION PROGRAM

Notes to Financial Statements – (Unaudited)
June 30, 2000

NOTE 1 – Nature of Program and Summary of Significant Accounting Policies

A. Nature of Program

Legislation authorizing the Illinois Student Assistance Commission to administer an Illinois prepaid tuition program was passed in November 1997. The purpose of this program is to provide Illinois families with an affordable tax-advantaged method to pay for 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 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. After two enrollment periods, as of June 30, 2000, the Illinois Prepaid Tuition Program (College Illinois!) had approximately 17,178 contracts with a purchased value of $256,886,384. As of June 30, 2000, the fund has received cash collections of $110,729,583.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.

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with GASB Statement No. 20, of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting". They apply all applicable (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.

C. Reporting Entity

The accompanying financial statements report the financial position, results of operations, and cash flows of the Illinois Prepaid Tuition Program as of and for the fiscal year ended June 30, 2000. For financial reporting purposes, the Fund is considered as a separate accounting entity to be administered by the Illinois Student Assistance Commission. The Fund is a fund of the Illinois Student Assistance Commission and the State of Illinois.

D. 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

Program that offer services on a user-charge basis to the general public. The measurement focus is based upon flow of economic resources.

E. 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.

F. Statement of Cash Flows

Cash and cash equivalents include cash on hand and in banks, interest bearing deposits with banks, and securities with original maturities of less than 90 days. Due to the nature of Illinois Prepaid Tuition Program activities, income from investments and interest expense are considered operating activities.

G. Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Funding and Actuarial Assumptions

Program funding is derived entirely from payments received from Contract Purchasers and the investment income earned by the Fund. The Commission has obtained actuarial assistance in order to establish, maintain and certify assets sufficient to meet the Fund's obligations. The assets of the fund are to be preserved, invested and expended solely pursuant to and for the purposes of the Fund and may not be loaned or otherwise transferred or used by the State of Illinois for any other purpose.

In the event the Commission, with the concurrence of the State of Illinois, determines the Program to be financially infeasible, the Commission may discontinue, prospectively, the operation of the Program. Any beneficiary who has been accepted by and is enrolled or will within five years enroll at an eligible institution shall be entitled to exercise the complete Benefits of his/her Contract. All other contract holders shall receive an appropriate refund of all contributions and accrued interest up to the time the program is discontinued.

NOTE 2 – Deposits and Investments

A. Deposits

At year-end the carrying amount and bank balance of Illinois Prepaid Tuition Program's deposits totaled $31,242,374.

		Bank Balances
Category 1		
Deposits covered by federal depository insurance or collateral held by the Illinois Prepaid Tuition Program or its agent in Illinois Prepaid Tuition Program's name	$	200,000
Category 2		
Deposits covered by collateral held by the pledging financial institution or its trust department, or by its agent, in Illinois Prepaid Tuition Program's name		-
Category 3		
Deposits covered by collateral held by the pledging financial or its trust department, or its agent but not in Illinois Prepaid Tuition Program's name and deposits which are uninsured and uncollateralized		161,173
Total savings and checking deposits	$	361,173
Deposits reported with Illinois State Treasurer		30,881,201
Total Deposits	**$**	**31,242,374**

B. 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 Illinois Prepaid Tuition Program 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 Program. The Commission may direct 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 and 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 Programs.

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 Program. A total of $78,000,000 of contract payments received has been invested as of the end of the fiscal year June 30, 2000. The program has retained Watson Wyatt Investment Consulting to evaluate the investment performance of the Program on a quarterly basis.

As of June 30, 2000, 36.9% of the funds were invested in Domestic Equities, 31.9% in Domestic Fixed Income and 31.2% as Cash and Equivalents. Investments of the Fund are recorded at fair value based on quoted market prices. The Fund does not receive any distributions of the unrealized gains or losses from the fair value of the investments. The unrealized gains or losses are reflected as a contra asset account on the Balance Sheet and as revenue or expense on the Income Statement.

The Illinois Prepaid Tuition Program investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Illinois Prepaid Tuition Program or its agent in the Illinois Prepaid Tuition Program's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Illinois Prepaid Tuition Program's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Illinois Prepaid Tuition Program's name.

	Carrying/Fair Value			
	Category			
	1	2	3	Totals
Domestic Equity	$ -	$ -	$ 41,751,506	$ 41,751,506
Domestic Fixed Income	$ -	$ -	$ 39,771,460	$ 39,771,460
Total Investments	**$ -**	**$ -**	**$ 81,522,966**	**$ 81,522,966**

C. 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	$	8,533
Less: accumulated depreciation		3,075
Total Property, Plant and Equipment	**$**	**5,458**

NOTE 3 – Retirement

Substantially, all of the employees of ISAC participate in the State of Illinois Employees' Retirement System (SERS). Membership in SERS is automatic for most state employees who are not eligible for another state-sponsored retirement plan. Contributions to SERS are based on a percentage of an individual's total compensation. Future benefit payments are provided by SERS based on an individual's final average compensation and amount of credited service. Included in salaries and benefits in the accompanying financial statements is $44,051 which represents Illinois Prepaid Tuition Program's matching contributions for the year ended June 30, 2000.

SERS issues a separate component unit financial report each year. The financial position and results of operations of SERS for the fiscal year 2000 are also included in the State's Comprehensive Annual Financial Report for the year ended June 30, 2000 and are hereby incorporated by reference. In addition, information regarding actuarially determined contribution requirements and covered payroll is contained within the separately issued financial statements of ISAC and is hereby incorporated by reference. The report may be obtained by writing to the State Employees Retirement System, 2101 South Veterans Parkway, P.O. Box 19255, Springfield, Illinois 62794.

In addition to providing pension benefits, the State provides certain health, dental, and life insurance benefits to annuitants that are former State employees. This includes annuitants of the agency. Substantially, all State employees including the agency's employees may become eligible for post-employment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to $5,000 per annuitant age 60 and older.

Currently, the State does not segregate payments made to annuitants from those made to current employees for health, dental and life insurance benefits. The cost of health, dental, and life insurance benefits is recognized on a pay-as you-go basis.

NOTE 4 – Liabilities

A. 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, 2000, accumulated unpaid employee vacation and sick leave aggregated $65,292 and is included within accrued expenses in the accompanying balance sheets.

B. Tuition Payable

Tuition Payable in the Illinois Prepaid Tuition Program represents the net principal payments received for the 17,178 contracts held by the fund as of June 30, 2000.

C. Accretion Payable

Accretion payable is the present value of 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 Expense for the fiscal year 1999-2000 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. For fiscal year 2000 the accretion expense was calculated monthly based on the balance in the Tuition Payable account. Accretion Expense is reflected as an expense in the Statement of Revenues and Expenses and as an increase in liability on the Balance Sheet.

Average Tuition Payable Balance over the year		78,761,817
Actuarial Estimate of 7% of Tuition Payable		5,513,327
Present Value		5,347,927
Beginning Balance Accretion Payable as of June 30,1999	$	1,075,741
Accretion Expense for the year		5,347,927
Ending Balance Accretion Payable as of June 30, 2000	**$**	**6,423,668**

NOTE 5 – Actuarial Report

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 Actuary's Report on Soundness was prepared on the College Illinois Prepaid Tuition Program by PricewaterhouseCoopers. As per the report, there is a surplus reserve of $829,023 in the program.

Market Value of Assets	$	111,755,760
Actuarial Present value of future payments expected, to be made by contract purchasers		92,548,705
Subtotal	$	204,304,465
Actuarial present value of future payments expected		203,475,442
Reserve as of June 30, 2000	**$**	**829,023**

ACTUARIAL REPORT

COLLEGE ILLINOIS!

PREPAID TUITION PROGRAM

Actuary's Report on Soundness
June 30, 2000

PRICEWATERHOUSECOOPERS

November 2000

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
203 North LaSalle
Chicago, IL 60601
Telephone (312) 701-5500
Facsimile (312) 701-6533

November 1, 2000

Mr. Randy Erford, Director
College Illinois!
1755 Lake Cook Rd
Deerfield, IL 60015

Dear Mr. Erford:

Richard M. Kaye & Associates in conjunction with PricewaterhouseCoopers LLP (PwC) has performed an actuarial valuation of the *College Illinois*! Prepaid Tuition Program as of the June 30, 2000 . 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 as of June 30, 2000.

A comparison of the assets and liabilities of the trust fund shows that as of June 30, 2000 there is an actuarial reserve of $829,023.

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

Richard M. Kaye
Richard M. Kaye & Associates
Consultant to PricewaterhouseCoopers LLP

John T. Devereux

John T. Devereux, ACAS, MAAA
Principal Consultant, PricewaterhouseCoopers LLP

Table of Contents

Introduction

Introduction

Purpose

College Illinois! Prepaid Tuition Program (CIPTP) has engaged Richard M. Kaye & Associates and PricewaterhouseCoopers LLP (PwC) to provide a determination of the soundness of the Illinois Prepaid College Trust Fund (Trust Fund) as of June 30, 2000. This soundness measure results in a point estimate of the actuarial reserve associated with the Trust Fund as of June 30, 2000.

Distribution and Use

This report was prepared for internal use by the management of CIPTP. Any external use or distribution of this report is not authorized without prior written approval of PwC.

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, 2000 the trust has an actuarial reserve of $829,023 (the value of assets, including the value of future payments by contract purchasers, exceeds the expected liabilities of the trust by that amount). The reserve decreased from last year due to a) investment return in the year ended June 30, 2000 less than expected; b) fewer contracts sold in the second enrollment than expected; and c) the adoption of a minimum benefit equal to the price paid.

Contracts in Force
As of June 30, 2000, the total contracts in force (net of cancellations) for CIPTP was 15,575. The contracts sold for four years at a university accounted for approximately 43% of all contract sales. Contracts for university enrollment represents approximately 84% of sales. Contracts for community college enrollment and combined community college and university enrollment account for approximately 16% of sales. Enrollment data is summarized in Appendix D.

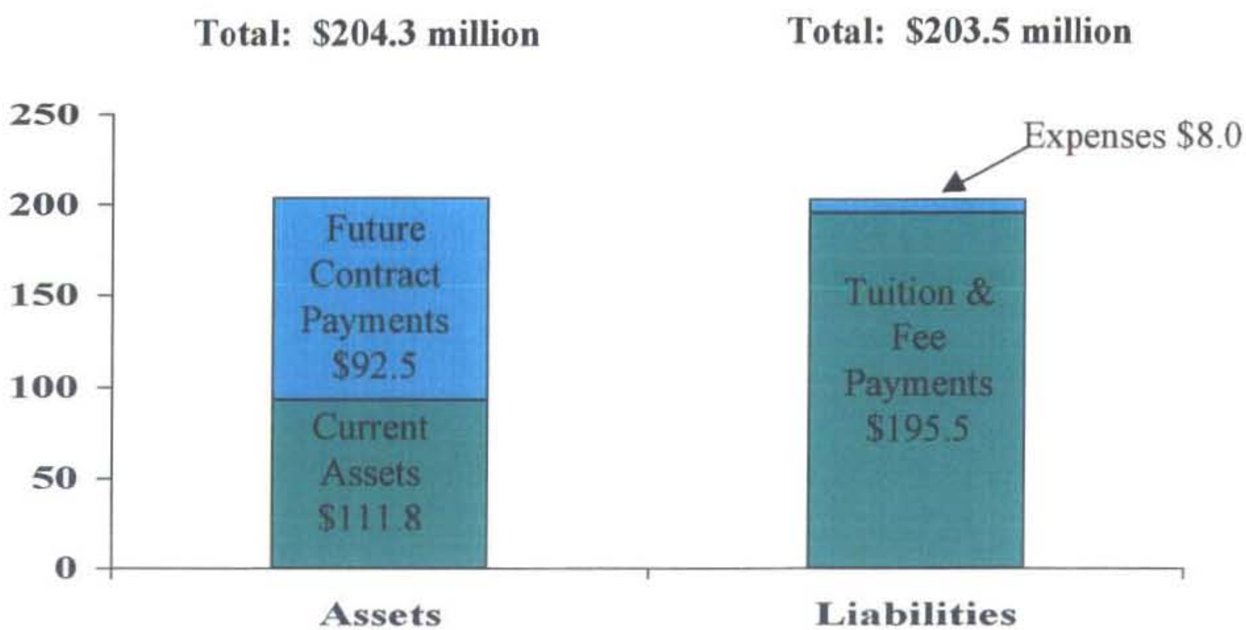
Weighted Average Tuition
The Weighted Average Tuition (WAT) is the average of tuition and fees for public in-state schools weighted in proportion to the number of Illinois resident students attending such schools. The 2000-2001 Illinois public university WAT is $4,487. The 2000-2001 Illinois community college WAT is $1,657.

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

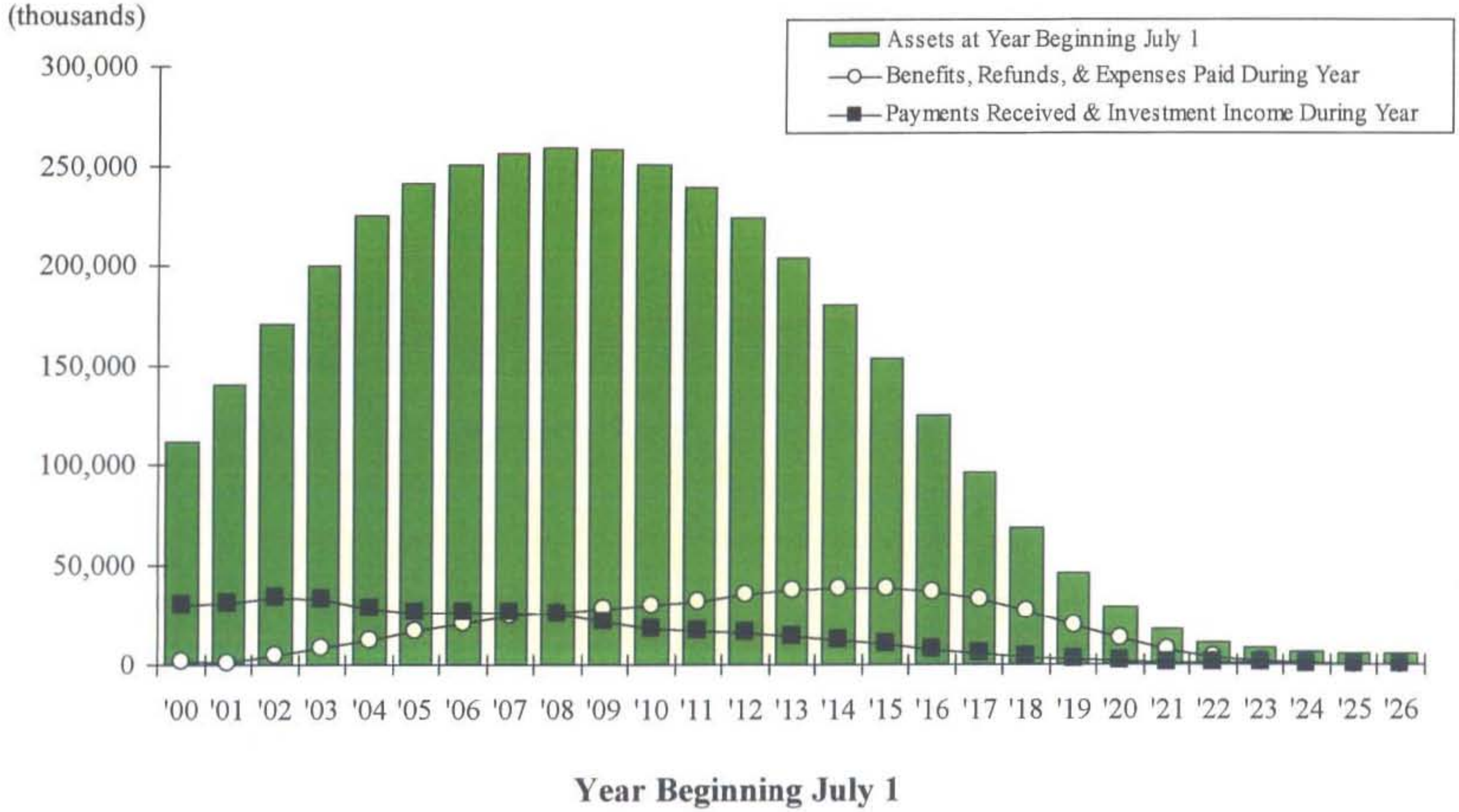
The value of assets as of June 30, 2000 (including the value of future payments by contract purchasers) exceeds the expected liabilities of the trust fund by $829,023. The funded ratio, assets divided by liabilities, is less than 1%. The assumptions used to perform the actuarial valuation of the fund are described on pages 17 and 18 of this report. The primary assumptions are:

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



Cash Flow Projection

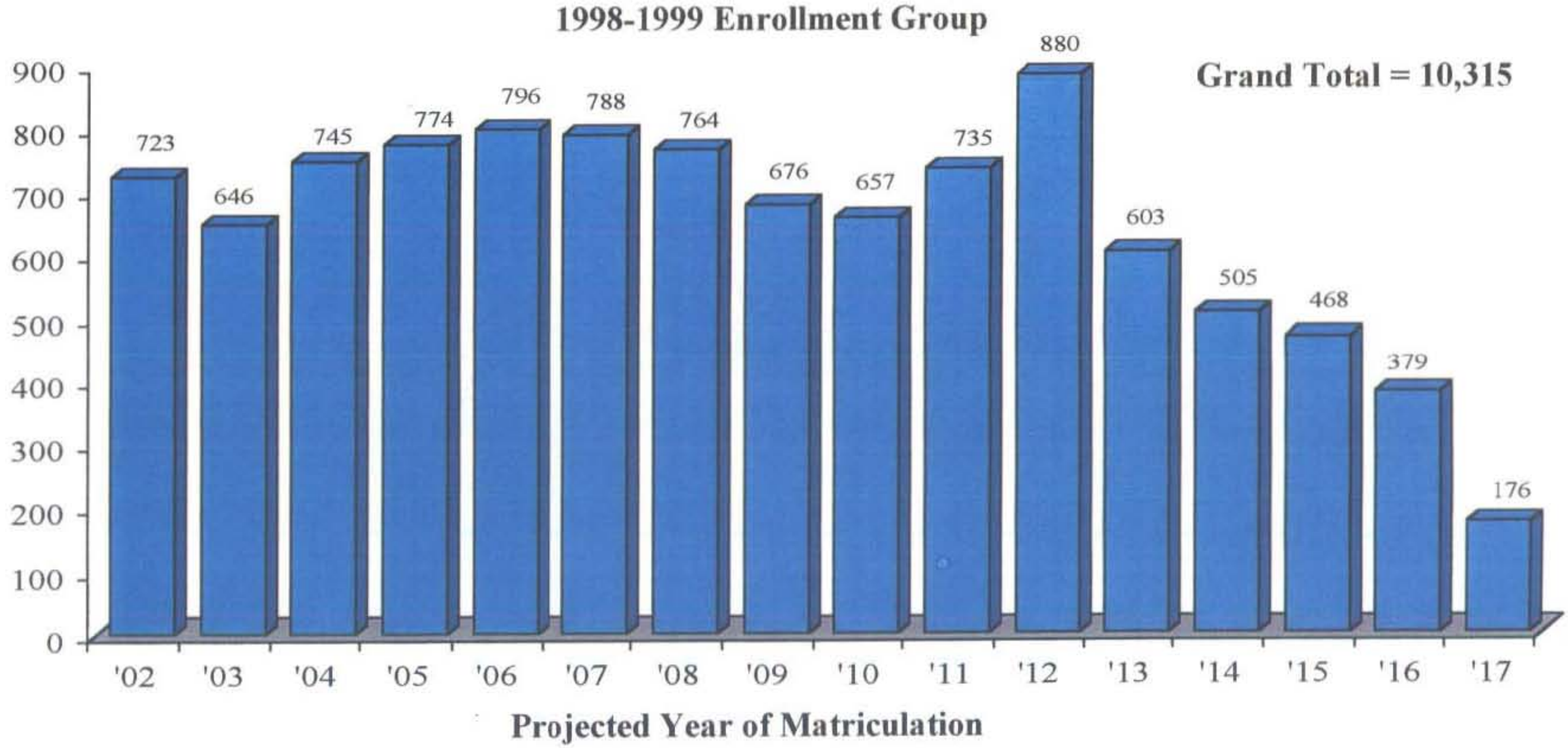
The expected income and disbursements of the Trust Fund, based on the assumptions used in the actuarial valuation, and the current group of contract beneficiaries, are shown below. These amounts are cash amounts, not present value amounts.



COLLEGE ILLINOIS! PREPAID TUITION PROGRAM

Contracts in Force for the 1998-1999 Enrollment Group

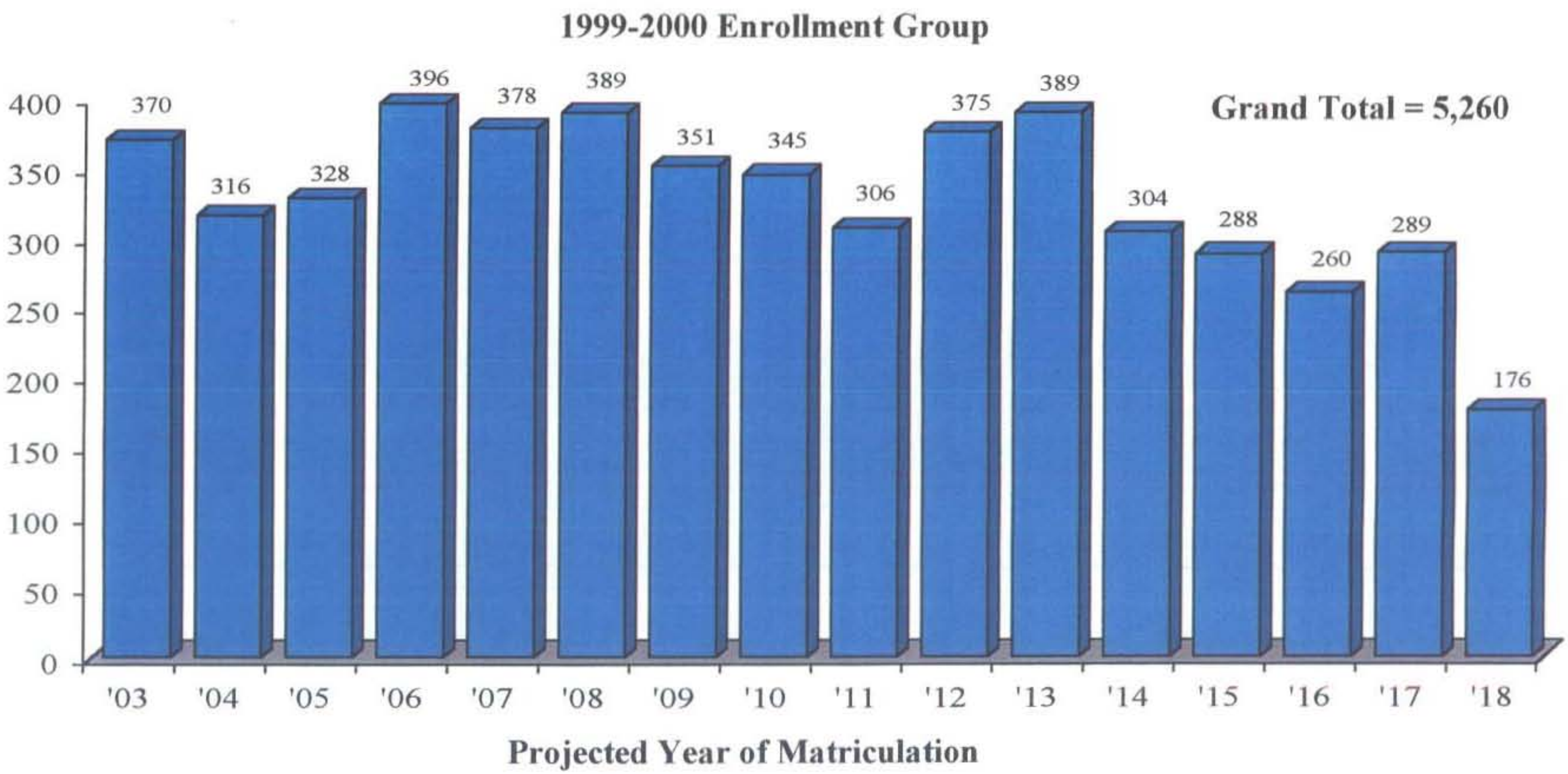
The chart below illustrates the total number of active contracts by expected year of community college or university matriculation for the 1998-1999 enrollment group.



PRICEWATERHOUSECOOPERS
2/6/2001

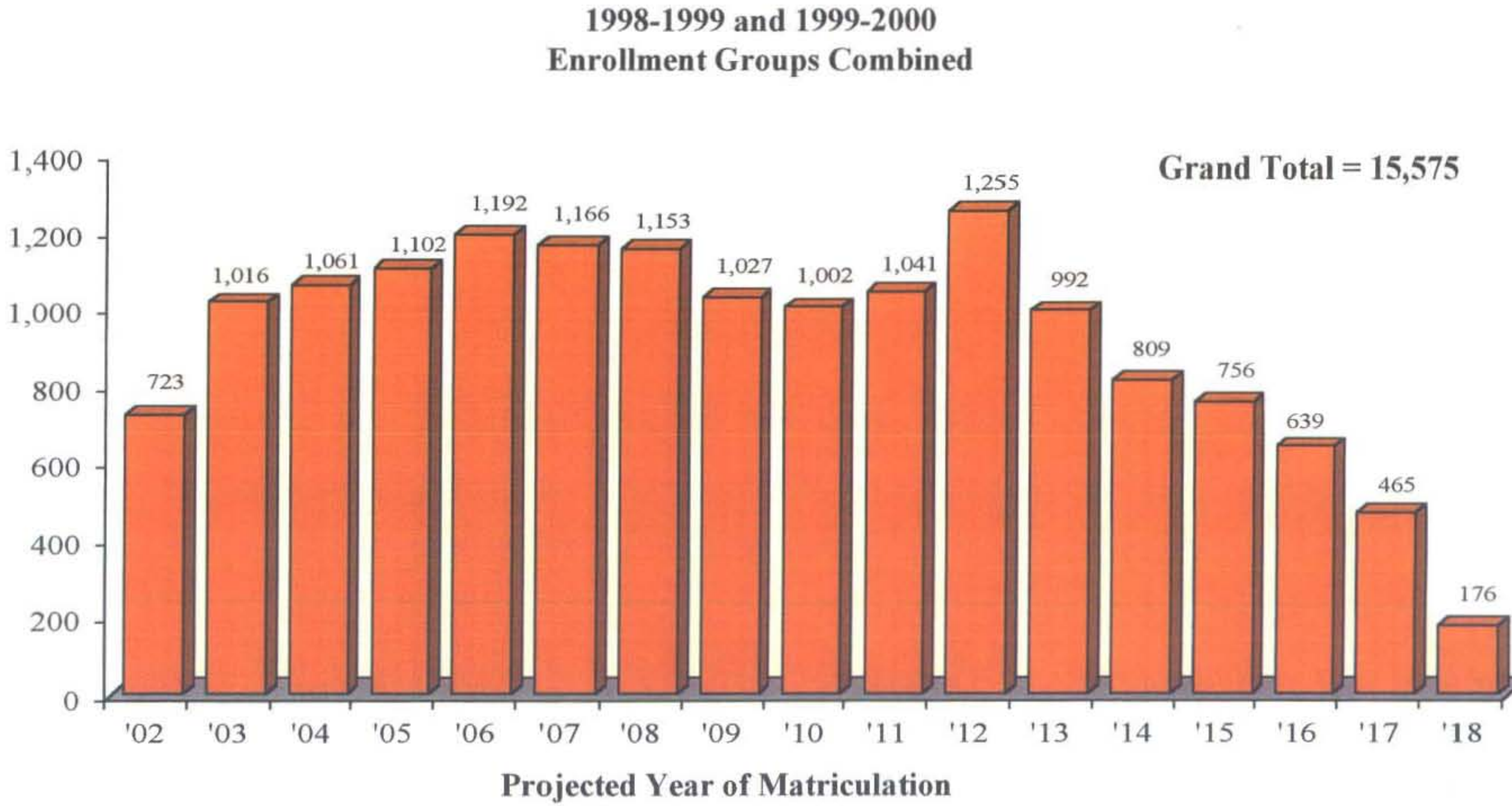
Contracts in Force for the 1999-2000 Enrollment Group

The chart below illustrates the total number of active contracts by expected year of community college or university matriculation for the 1999-2000 enrollment group.



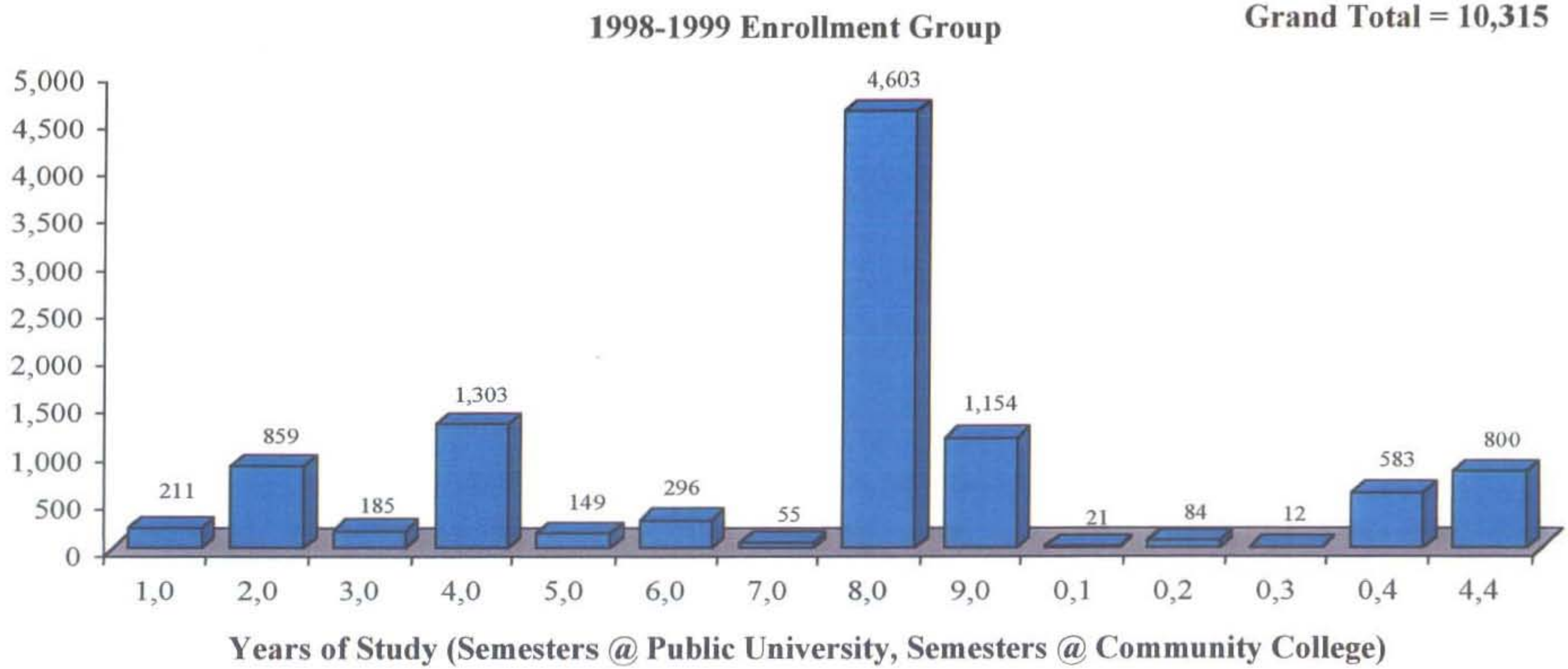
Contracts in Force for All Enrollment Groups

The chart below illustrates the total number of active contracts by expected year of community college or university matriculation for the 1998-1999 and the 1999-2000 enrollment groups combined.



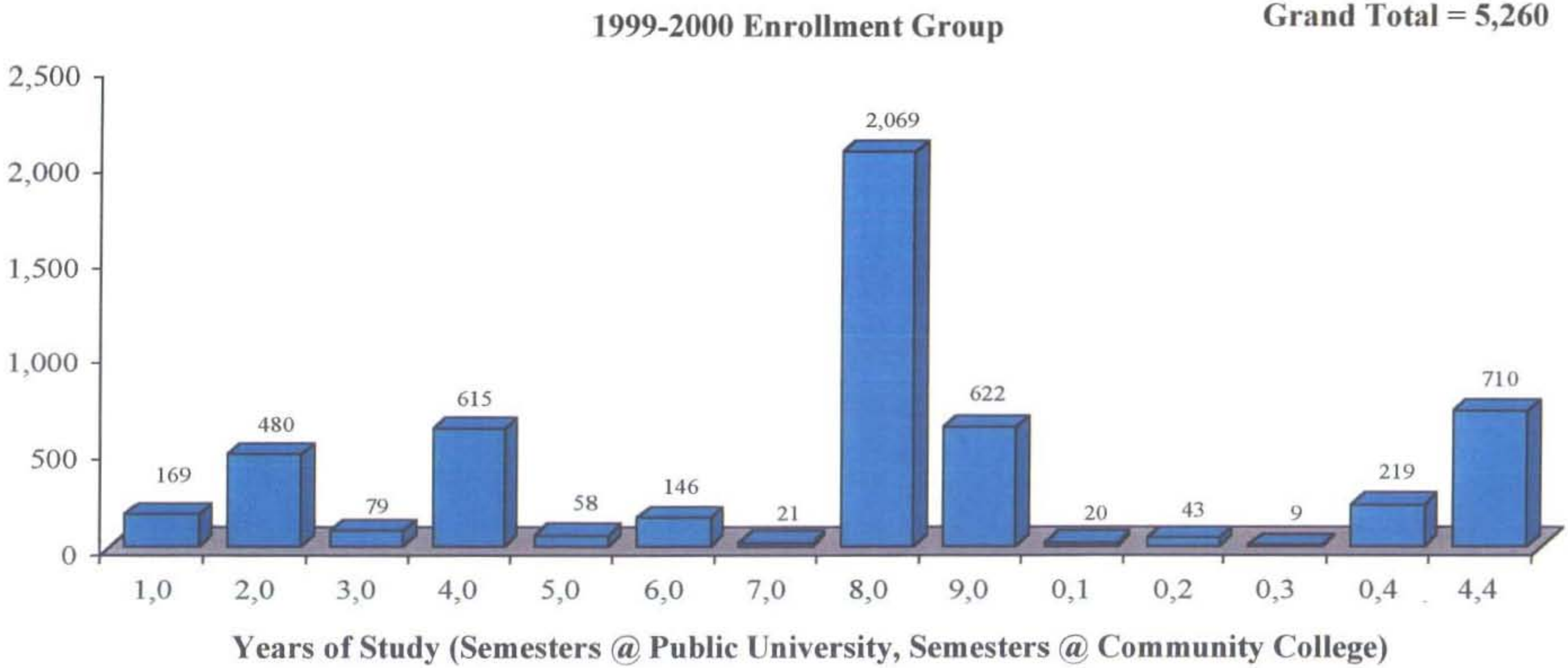
Type of Contract Sold to the 1998-1999 Enrollment Group

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.



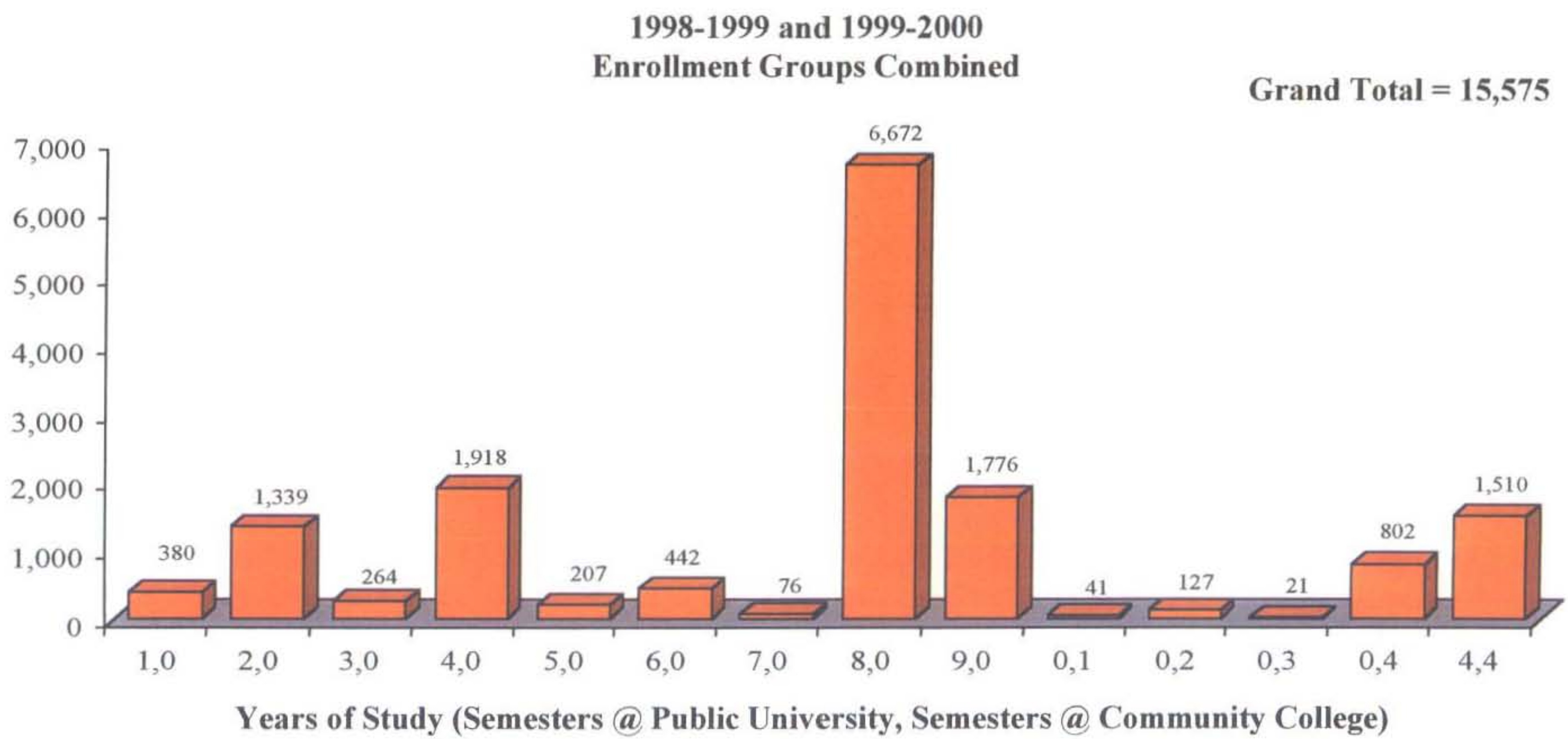
Type of Contract Sold to the 1999-2000 Enrollment Group

Contracts can be purchased for a variety of plans. The chart below illustrates the total number of active contracts from the 1999-2000 enrollment period by type of plan.



Type of Contract Sold to All Enrollment Groups

Contracts can be purchased for a variety of plans. The chart below illustrates the total number of active contracts from the 1998-1999 and 1999-2000 enrollment periods combined by type of plan.



PRICEWATERHOUSECOOPERS
2/7/2001

Valuation Assumptions and Methods

Actuarial Assumptions

The assumptions used in the actuarial valuation of the Trust Fund are described below. Certain assumptions, as identified, were based on program management recommendations.

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 as selected by the CIPTP management.

Investment Return. The actuarial valuation of the Trust Fund was determined using an assumed 8.0% rate of return on investments as recommended by the Board. We further assume the Trust Fund is exempt from federal income tax. It is important to highlight the sensitivity of this analysis to this assumption. As pointed out subsequently, a quarter point shortfall in such a goal would place the fund in a notable deficient position. Additionally, the nature of this type of program involves payment of benefits at fixed future points in time, subjecting the fund to greater than average investment risk due to short-term fluctuations and in matching investment maturities with expected outlays.

Administrative Expenses. Administrative expenses of the program are assumed to be paid through a combination of investment earnings and fees assessed on purchasers. 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 2000-2001 WAT with a bias load added to allow for a bias toward enrollment at more expensive schools.

Bias Load. The liabilities have been loaded 4.6% to reflect the possibility that beneficiaries of a *College Illinois*! contract who 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 2000. It is also assumed that contract sales will increase by 2% in 2001 and 2002 and contract sales will increase by 1% in 2003 and 2004. Contract sales will remain constant at 9,020 annually thereafter. These assumptions are based on CIPTP management recommendations. This is another area that has a notable impact on surplus as described subsequently in the Sensitivity Testing section.

Actuarial Assumptions (continued)

Cancellations, Terminations and Refunds. It is assumed that 8% of contracts sold will not be utilized at an 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 $4,487 for 2000-2001.

Weighted Average Tuition: Community Colleges. The WAT for community colleges is $1,657 for 2000-2001.

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. In particular, there are three assumptions on which surplus is significantly leveraged: tuition increases, investment returns, and future contract sales. As previously indicated, the assumptions used for these three items to determine the current fund position were based on selections made by the CIPTP management. 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 lower in each future year than assumed in the measurement of soundness.
4. The ultimate investment return is 25 basis points higher than assumed in the measurement of soundness.
5. 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.
6. Tuition increases are 25 basis points lower in each future year and the ultimate investment return is 25 basis points higher than assumed in the measurement of soundness.
7. The number of contracts sold in the future is 5,500 for 2000 and each year thereafter.
8. The number of contracts sold in the future is 9,500 for 2000 and each year thereafter.

The actuarial reserve as of June 30, 2000 under each of these scenarios is presented in the following table:

Scenario	Indicated Actuarial Reserve as of 6/30/2000	Scenario	Indicated Actuarial Reserve as of 6/30/2000
1	**($4,187,238)**	5	**($8,911,419)**
2	**($3,739,323)**	6	**$9,975,146**
3	**$5,710,474**	7	**($2,555,801)**
4	**$5,239,473**	8	**$1,353,592**

Plan Provisions

Plan Provisions

The plan covers the tuition and mandatory fees at an Illinois public college or university or community college depending upon 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. The purchaser is guaranteed that benefits received will be no less than the price paid.

Payment Options: Available options include a one-time lump sum payment, a 60-month installment option, and 120 - month installment options. There are also installment plans with down payment options.

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 choose to receive a refund payment equal to all contributions, plus two percent interest, less applicable cancellation fees.

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 applicable cancellation fees.

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 on a semester-by-semester basis. The refund should 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	$111,755,760
b. Actuarial present value of future payments expected to be made to the fund by contract purchasers	$92,548,705
c. Subtotal (a + b)	$204,304,465
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*	$203,475,442
e. Reserve as of June 30, 2000 (c - d)	$829,023

* Includes $300,000 for the guaranteed minimum benefit proposal.

Trust Assets

Appendix B

Summary of Assets	Market Value
a) Cash deposited with banks	$361,173
b) Cash deposited with Treasurer	$30,881,201
c) SSgA S&P 500 Index Fund	$41,751,506
d) Brinson Partners Core Fixed Income	$39,771,461
e) Accrued Interest - State Treasurer	$150,630
f) Fixed Assets - Net of Accumulated Depreciation	$5,458
g) Accounts Payable and Accrued Liabilities	$201,810
h) Due to GRF and Other State Funds *	$644,762
i) Loans and Notes Payable **	$319,097
Total Assets as of June 30, 2000 (a)+(b)+(c)+(d)+(e)+(f)-(g)-(h)-(i)	**$ 111,755,760**

* Adjusted from$750,569 to reflect the present value of the loan repaid over three years without interest.

** Adjusted from $300,000 to reflect the present value of loan repaid over three years with simple interest of 9%.

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

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 at End of Year
2000	111,821,052	1,554,934	19,818,791	9,660,704
2001	140,388,753	1,238,104	17,603,476	11,926,900
2002	170,637,368	3,708,834	16,205,284	14,171,033
2003	199,958,761	6,481,379	13,322,718	16,208,518
2004	225,141,714	8,912,397	7,814,795	17,747,583
2005	241,475,455	11,097,091	4,870,769	18,674,527
2006	250,886,381	12,895,642	4,505,784	19,188,854
2007	256,551,917	13,785,156	4,155,924	19,459,809
2008	259,226,188	14,154,517	3,191,387	19,475,585
2009	257,991,885	13,854,948	1,059,775	19,137,874
2010	250,984,050	13,646,817	0	18,390,549
2011	239,243,324	13,517,142	0	17,333,561
2012	224,344,326	14,126,355	0	15,909,267
2013	203,873,501	13,765,950	0	14,164,701
2014	179,750,121	12,822,175	0	12,222,052
2015	153,456,022	11,819,083	0	10,128,213
2016	125,241,003	10,406,333	0	7,976,478
2017	96,756,662	8,749,648	0	5,885,537
2018	69,533,430	6,627,857	0	4,045,102
2019	46,492,255	4,450,892	0	2,618,736
2020	29,466,217	2,770,978	0	1,617,255
2021	17,874,873	1,463,874	0	1,007,758
2022	11,346,451	710,936	0	686,253
2023	8,079,935	360,588	0	525,082
2024	6,439,775	174,089	0	451,928
2025	5,762,716	65,835	0	435,183

CIPTP Beneficiaries (All Enrollment Groups) 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	19	93	18	176	23	80	21	159	46	0	14	2	24	48	723
2003	28	98	26	182	24	77	9	332	94	1	16	2	46	81	1,016
2004	27	86	16	157	12	39	3	446	104	1	9	4	46	111	1,061
2005	22	107	20	159	22	33	7	459	96	4	6	1	56	110	1,102
2006	36	123	19	166	19	23	6	463	123	5	9	3	69	128	1,192
2007	25	122	20	160	14	33	2	469	127	2	5	1	74	112	1,166
2008	24	105	20	123	15	28	5	519	104	4	9	2	62	133	1,153
2009	23	80	13	106	13	23	2	460	114	2	9	0	70	112	1,027
2010	20	85	17	102	9	23	4	442	130	4	10	1	53	102	1,002
2011	17	71	14	119	8	12	1	504	116	2	4	0	53	120	1,041
2012	24	81	26	133	11	22	3	610	162	2	7	2	66	106	1,255
2013	33	63	15	92	9	15	5	457	141	2	10	0	54	96	992
2014	24	64	16	75	11	8	3	373	106	4	7	2	41	75	809
2015	19	60	8	61	5	12	1	373	108	2	6	0	41	60	756
2016	22	51	10	61	7	8	3	302	92	4	4	0	23	52	639
2017	10	39	4	34	3	3	1	231	85	0	2	0	14	39	465
2018	7	11	2	12	2	3	0	73	28	2	0	1	10	25	176
Total	**380**	**1,339**	**264**	**1,918**	**207**	**442**	**76**	**6,672**	**1,776**	**41**	**127**	**21**	**802**	**1,510**	**15,575**
Percent	**2.4%**	**8.6%**	**1.7%**	**12.3%**	**1.3%**	**2.8%**	**0.5%**	**42.8%**	**11.4%**	**0.3%**	**0.8%**	**0.1%**	**5.1%**	**9.7%**	