



January 24, 2019

The Honorable Governor JB Pritzker
207 State Capitol
Springfield, IL 62706

Dear Governor Pritzker:

The Illinois Prepaid Tuition Act (110 ILCS 979/1 *et seq.*) requires the Governor to indicate, in documents accompanying each annual state budget, the amount of funding necessary “to discharge all obligations anticipated under Illinois prepaid tuition contracts” sold through the College Illinois!® 529 Prepaid Tuition Program, as well as the amount of funding needed to administer the program.

To help fulfill this mandate, the Illinois Student Assistance Commission, which administers College Illinois!, submits an annual letter to certify the above-mentioned amounts to your office and to the Director of the Governor’s Office of Management and Budget. The letter is typically appended to the budget book and made available on the budget book website.

A copy of the certification letter for FY 2020 is attached. While this certification was provided to the prior administration in December, we wanted to be sure that it was readily available to you and to the new Director of GOMB in order to assist you in fulfilling this mandate as you take office.

Please contact me at 217-782-2020 if you have any questions or concerns regarding this certification letter. We look forward to working with you and your Administration in support of the agency’s mission of making college more accessible and affordable for Illinois students.

Best regards,

Eric Zarnikow
Executive Director

Enclosure: 2 pages

CC: Alexis Sturm, Director, Governor’s Office of Management and Budget

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DEC 24 REC'D

Governor's Office
Initial: AF

December 20, 2018

Honorable Governor Bruce Rauner
207 State Capitol
Springfield, IL 62706

Dear Governor Rauner:

In accordance with the reporting requirement of the Illinois Prepaid Tuition Act (110 ILCS 979/1 et seq.), I am sending you this letter as a certification that the College Illinois!® 529 Prepaid Tuition Program will not require any state financial support during Fiscal Year 2020. During FY 2020, we estimate that approximately \$143 million will be paid out for prepaid tuition contract benefits, refunds, and expenses, netted for expected contributions. During January through June 2019, we anticipate net payouts of approximately \$73 million. The Commission is expected to approve the FY 2020 administrative budget for the College Illinois! 529 Prepaid Tuition Program in June 2019; staff expects the request to include approximately \$11 million of program funds for operational expenses.

Although state financial support will not be required next year, actuarial projections indicate that state support likely will be required in the future to fulfill the state's moral obligation to the Program. The actuarial soundness valuation as of June 30, 2018, performed by independent actuaries, indicates that there is an unfunded liability with a present value of approximately \$308 million. Actuarial projections for a runoff scenario with no future contract sales indicate that the Program would require cumulative state funding of over \$500 million beginning in FY 2026, with single-year funding requirements peaking above \$90 million in FY 2027. If the state opted to amortize the unfunded liability beginning in FY 2020 and assuming no new contract sales, annual payments of \$25 million to \$30 million would be required for about 15 years. Actuarial reports are available at <http://www.collegeillinois.org/AboutCollegeIllinois/529Financials.html>.

While future contract sales could reduce or eliminate potential funding requirements, contract sales declined in the past few years. Program enrollment was put on hold for the 2017-18 enrollment year and continues to be on hold pending our ongoing discussions with policymakers to help define and advance proposals that will address the College Illinois! unfunded liability and strengthen the Program. **As we have noted during these discussions with policymakers, we believe it would be appropriate and beneficial to the State and plan holders to address the unfunded liability now before it becomes necessary to call upon the moral obligation of the State of Illinois.**

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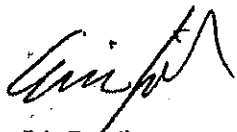
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Actuarial reports necessarily represent a point in time and make projections about the future based on information available as of the date of the report. Going forward, many circumstances such as investment performance, tuition and fee inflation, and contract purchases can significantly change future actuarial results, either in a positive or negative way. It is to be expected that for any given fiscal year, actual plan performance will vary from assumptions and that the funded status of the plan will fluctuate.

Please contact me at 217-782-2020 if you have any questions or concerns regarding this certification letter.



Eric Zarnikow
Executive Director

cc: Hans Zigmund, Director
Office of Management and Budget