

AGENDA ITEM 7.

COLLEGE ILLINOIS! FISCAL YEAR 2006 ANNUAL REPORT

Submitted for: Information

Summary: The Commission has received copies of the draft *College Illinois!* Fiscal Year 2006 Annual Report that by law must be finalized each year by March 1st. This Annual Report has been prepared in accordance with state law set forth in the Prepaid Tuition Act of 1997 (110 ILCS 979). The *College Illinois!* Investment Advisory Panel has reviewed and approved the Soundness Report, which is included in its entirety within the Annual Report.

As in past years, the Annual Report will be comprised of two components: audited financial statements for the period ending June 30, 2006; and the Actuary's Report on Soundness, prepared by Richard Kaye and Associates in conjunction with PricewaterhouseCoopers LLP. As of the date of the preparation of the Agenda Book, the independent auditor had not yet released audited financial statements for the program. Therefore, it was necessary to prepare the draft report using unaudited figures, rather than final audited figures from the independent auditor. The audited version of the financial statements, including the report of the auditor, will be available prior to the preparation of the final Annual Report in late February.

As of June 30, 2006, the actuarial value of expected liabilities exceeds assets (including the value of future payments forthcoming from current program participants) by \$146.9 million, resulting in a funded ratio of 86.9 percent. This funding level is slightly less than the 88.1 percent funded ratio of June 30, 2005, a result of interest accumulated on last year's deficit, asset appreciation slightly lagging expectations, and changes made to the tuition and fee assumptions. The Annual Report indicates that program assets are projected to cover benefit payments through the year 2021, even assuming that no additional contracts are sold subsequent to June 30, 2006. The actuary also notes that the Commission increased contract prices during the past five years to partially amortize the actuarial deficit and that these actions have had a positive impact on program soundness.

In September 2006 the Commission approved contract price increases for the 2006-2007 enrollment period that included, once again, a premium for the purpose of reducing, and eventually eliminating, the program's actuarial deficit.

Action requested: None