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SENATE RESOLUTION

2           WHEREAS, The College Illinois! prepaid tuition program has  
3 served Illinois families successfully for more than a decade,  
4 encouraging parents and grandparents to pay college tuition in  
5 advance through the purchase of State-sponsored prepaid  
6 tuition contracts; and

7           WHEREAS, The financial performance of the College  
8 Illinois! prepaid tuition program is critical to ensure the  
9 plan participants' ability to access funds when students are  
10 prepared to attend an institution of higher education; and

11           WHEREAS, The College Illinois! prepaid tuition program is  
12 not backed by the full faith and credit of the State of  
13 Illinois, but rather constitutes a moral obligation of the  
14 State, making the College Illinois! prepaid tuition program  
15 long-term investment portfolio vulnerable to risk-intensive  
16 investment practices; and

17           WHEREAS, In 2009, College Illinois! prepaid tuition  
18 program assets were virtually stocks and bonds in their  
19 entirety, but, by the conclusion of January 2011, the College  
20 Illinois! fund held \$419 million or 38% in alternative  
21 investments such as hedge funds, real estate, and private  
22 equity investments; and

1           WHEREAS, Hedge funds and private equity investments often  
2 fail to provide an intensive level of transparency appropriate  
3 for public institutional investments of this kind; and

4           WHEREAS, The Illinois Student Assistance Commission's  
5 stated strategy is to pursue alternative investments until the  
6 College Illinois! prepaid tuition program portfolio reaches  
7 47% in alternative investments such as hedge fund, real estate,  
8 and private equity investments; and

9           WHEREAS, In 2008, the Illinois Student Assistance  
10 Commission invested \$12.7 million in ShoreBank, a privately  
11 held company and, in 2010, the entire \$12.7 million was lost  
12 when federal regulators closed the bank; and

13           WHEREAS, As of June 30, 2007, the College Illinois! prepaid  
14 tuition program fund was 7% underfunded, and, as of June 2010,  
15 the date of the most recent figures available, the College  
16 Illinois! prepaid tuition program fund was 31% underfunded;  
17 therefore, be it

18           RESOLVED, BY THE SENATE OF THE NINETY-SEVENTH GENERAL  
19 ASSEMBLY OF THE STATE OF ILLINOIS, that the Auditor General  
20 shall conduct a management audit of the College Illinois!  
21 prepaid tuition program's administrative operations; and be it

1 further

2 RESOLVED, That the audit include, but not be limited to,  
3 the following determinations:

4 (1) The growth in recent years of program costs; and

5 (2) The efficacy of the program's administration, and,  
6 in particular, the Illinois Student Assistance  
7 Commission's oversight and administrative capacity to  
8 evaluate and direct College Illinois! prepaid tuition  
9 program investments; and be it further

10 RESOLVED, That as a part of this audit, the Auditor General  
11 shall conduct an independent asset allocation study of College  
12 Illinois! prepaid tuition program investments to determine the  
13 overall level of risk associated with the program's current  
14 alternative investment mix; it is intended that this study  
15 shall be conducted in comparison with a standardized investment  
16 portfolio containing no alternative investments, as well as in  
17 comparison with actual investment portfolios of similar public  
18 prepaid tuition programs currently operating in the states of  
19 Michigan, Virginia, Washington, and Florida; and be it further

20 RESOLVED, That the Illinois Student Assistance Commission  
21 and any other entity having information relevant to this audit  
22 cooperate fully and promptly with the Auditor General's Office  
23 in the conduct of this audit; and be it further

1           RESOLVED, That the Auditor General commence this audit as  
2           soon as possible and report his findings and recommendations  
3           upon completion in accordance with the provisions of Section  
4           3-14 of the Illinois State Auditing Act; and be it further

5           RESOLVED, That suitable copies of this resolution be  
6           delivered to the Auditor General and the Director of the  
7           Illinois Student Assistance Commission.