



HR0174

LRB097 11122 NHT 52455 r

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HOUSE 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! program is critical to making certain that the plan's  
9 55,000 participants are able to access funds when the students  
10 are ready to attend an institution of higher education; and

11           WHEREAS, The College Illinois! program is not backed by the  
12 full faith and credit of the State of Illinois, making its  
13 long-term investment portfolio vulnerable to risky investment  
14 practices; and

15           WHEREAS, In 2009, College Illinois! assets were virtually  
16 all stocks and bonds; as of the end of January 2011, however,  
17 the fund held \$419 million, or 38%, in riskier alternative  
18 investments, such as hedge funds, real estate, and private  
19 equity investments; and

20           WHEREAS, Hedge funds and private equity investments often  
21 do not provide the level of transparency appropriate for public

1 institutional investments of this kind; and

2 WHEREAS, The Illinois Student Assistance Commission's  
3 strategy is to continue purchasing alternative investments  
4 until the College Illinois! portfolio reaches 47% hedge fund,  
5 real estate, and private equity investments; and

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

10 WHEREAS, The level of exposure to alternative investments  
11 is at best questionable, given the relatively small size of the  
12 College Illinois! portfolio, and could expose the program's  
13 investors to unnecessary financial risk; and

14 WHEREAS, As of June 30, 2007, the College Illinois! fund  
15 was 7% underfunded, and as of June 2010, the most recent  
16 figures available, its shortfall grew to 31%; therefore, be it

17 RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE  
18 NINETY-SEVENTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that  
19 in response to the Illinois Student Assistance Commission's  
20 questionable investment practices and the College Illinois!  
21 program's growing shortfall in its fund, we direct the Illinois

1 State Board of Investment to conduct an independent asset  
2 allocation study of College Illinois! investments to determine  
3 the overall level of risk associated with the program's  
4 investment mix and provide the results of that study to the  
5 General Assembly and the Governor no later than January 15,  
6 2012; and be it further

7 RESOLVED, That we direct the Auditor General to conduct a  
8 special audit of College Illinois! operations to document  
9 growth in program administrative costs and determine the  
10 efficacy of program administration on behalf of participants  
11 and provide the results of this special audit to the General  
12 Assembly and the Governor no later than January 15, 2012; and  
13 be it further

14 RESOLVED, That suitable copies of this resolution be  
15 delivered to the Illinois State Board of Investment and the  
16 Auditor General.