

1 Illinois, but rather constitutes a moral obligation of the
2 State, making the College Illinois! prepaid tuition program
3 long-term investment portfolio vulnerable to risk-intensive
4 investment practices; and

5 WHEREAS, In 2009, College Illinois! prepaid tuition
6 program assets were virtually stocks and bonds in their
7 entirety, but, by the conclusion of January 2011, the College
8 Illinois! fund held \$419 million or 38% in alternative
9 investments such as hedge funds, real estate, and private
10 equity investments; and

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

14 WHEREAS, The Illinois Student Assistance Commission's
15 stated strategy is to pursue alternative investments until the
16 College Illinois! prepaid tuition program portfolio reaches
17 47% in alternative investments such as hedge fund, real estate,
18 and private equity investments; and

19 WHEREAS, In 2008, the Illinois Student Assistance
20 Commission invested \$12.7 million in ShoreBank, a privately
21 held company and, in 2010, the entire \$12.7 million was lost
22 when federal regulators closed the bank; and

1 WHEREAS, As of June 30, 2007, the College Illinois! prepaid
2 tuition program fund was 7% underfunded, and, as of June 2010,
3 the date of the most recent figures available, the College
4 Illinois! prepaid tuition program fund was 31% underfunded;
5 therefore, be it

6 RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE
7 NINETY-SEVENTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that
8 the Auditor General shall conduct a management audit of the
9 College Illinois! prepaid tuition program's administrative
10 operations; and be it further

11 RESOLVED, That the audit include, but not be limited to,
12 the following determinations:

13 (1) The growth in recent years of program costs; and
14 (2) The efficacy of the program's administration, and,
15 in particular, the Illinois Student Assistance
16 Commission's oversight and administrative capacity to
17 evaluate and direct College Illinois! prepaid tuition
18 program investments; and be it further

19 RESOLVED, That as a part of this audit, the Auditor General
20 shall conduct an independent asset allocation study of College
21 Illinois! prepaid tuition program investments to determine the
22 overall level of risk associated with the program's current

1 alternative investment mix; it is intended that this study
2 shall be conducted in comparison with a standardized investment
3 portfolio containing no alternative investments, as well as in
4 comparison with actual investment portfolios of similar public
5 prepaid tuition programs currently operating in the states of
6 Michigan, Virginia, Washington, and Florida; and be it further

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

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

15 RESOLVED, That suitable copies of this resolution be
16 delivered to the Auditor General and the Director of the
17 Illinois Student Assistance Commission."