

**MISSISSIPPI PREPAID AFFORDABLE COLLEGE TUITION
PROGRAM**

**ACTUARIAL VALUATION
AND REPORT**

JUNE 30, 2006

CollegeSavings
MISSISSIPPI



Bryan, Pendleton, Swats & McAllister, LLC
A Wells Fargo Company

September 27, 2006

Board of Directors
Mississippi Prepaid Affordable College Tuition Program
State Treasury Department
501 North West Street, Suite 1101A
Jackson, MS 39201

To the Board:

The attached report summarizes the actuarial valuation of the Mississippi Prepaid Affordable College Tuition Program ("the Program") as of June 30, 2006. The valuation compares the value of the assets of the prepaid program to the value of expected future tuition payments to beneficiaries. The following pages summarize the actuarial valuation of the trust fund as of June 30, 2006.

A comparison of the assets and liabilities of the trust fund shows that as of June 30, 2006 there remains a deficit of about \$26.2 million.

Our calculations were based on data furnished by InTuition Solutions, Inc. We have not audited the data and we cannot certify as to the accuracy or completeness of the data supplied. Our calculations are based on the actuarial valuation assumptions, chosen by the Board, as presented in this report.

The actuarial valuation summarized in this report has been performed using generally accepted actuarial principles and is based on actuarial assumptions, each of which we consider to be reasonable (taking into account the experience of the plan and reasonable future expectations). It is our opinion that the results fully and fairly disclose the actuarial position of the plan as of the valuation date. The undersigned is an actuary at BPS&M, a member of the American Academy of Actuaries, and has met the Qualification Standards of the American Academy of Actuaries to render actuarial opinions herein.

Sincerely,

Mike Brister
Fellow, Society of Actuaries
Principal

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Phone: (601)981-2155 Fax: (601)366-7341
Mailing Address: P.O. Box 16487 • Jackson, Mississippi 39236-6487
Delivery Address: Suite 266 Highland Village • 4500 I-55 North • Jackson, MS 39211

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Valuation Results

As of June 30, 2006 the Program has an unfunded liability of about \$26.2 million. In other words, the value of expected liabilities of the trust exceeds the value of assets, including the value of future payments by contract purchasers, by \$26.2 million. The liability amounts are based on actuarial assumptions chosen by the Board. The Program's records administrator, InTuition Solutions, Inc., provided us with information relating to contracts in place as of June 30, 2006. Program staff provided us with information relating to assets and investment returns.

On a funded percentage basis, the plan is 89.6% funded. This compares to a funded percentage of 87.2% as of June 30, 2005. This increase in the funded percentage is due to a lower than assumed increase in the tuition rates from 2005 to 2006. The increase in weighted average tuition for four-year universities and colleges was 6.4% (below the assumed 6.5%). The increase in weighted average tuition for junior and community colleges was 1.1% (below the assumed 6.0%). The actuarial gain from lower than expected tuition inflation was offset by a slightly lower than assumed return on assets. The return on assets was 7.1% (below the assumed 7.8%).

Contract Sales

As of June 30, 2006 there were 18,596 participants enrolled in the Program. This compares to 17,738 participants in the Program as of June 30, 2005.

The majority of the current contracts are for four-year university (10,558 contracts or 57%). There were also 4,079 two-year junior college plus two-year university contracts (22% of the total) and 1,134 two-year junior college contracts (6% of the total). The other 2,825, or 15% of the contracts, are dispersed across the remaining contract types.

Weighted Average Tuition

The Weighted Average Tuition ("WAT") is the average of tuition and fees for in-state residency at Mississippi colleges and universities weighted in proportion to the number of Mississippi resident students attending each of the schools.

WAT for four-year universities is \$4,445 for the fall of 2006, an increase of 6.4% over the WAT of \$4,179 in the fall of 2005.

WAT for junior colleges is \$1,696 for the fall of 2006, an increase of 1.2% over the WAT of \$1,677 in the fall of 2005.

Actuarial Assumptions

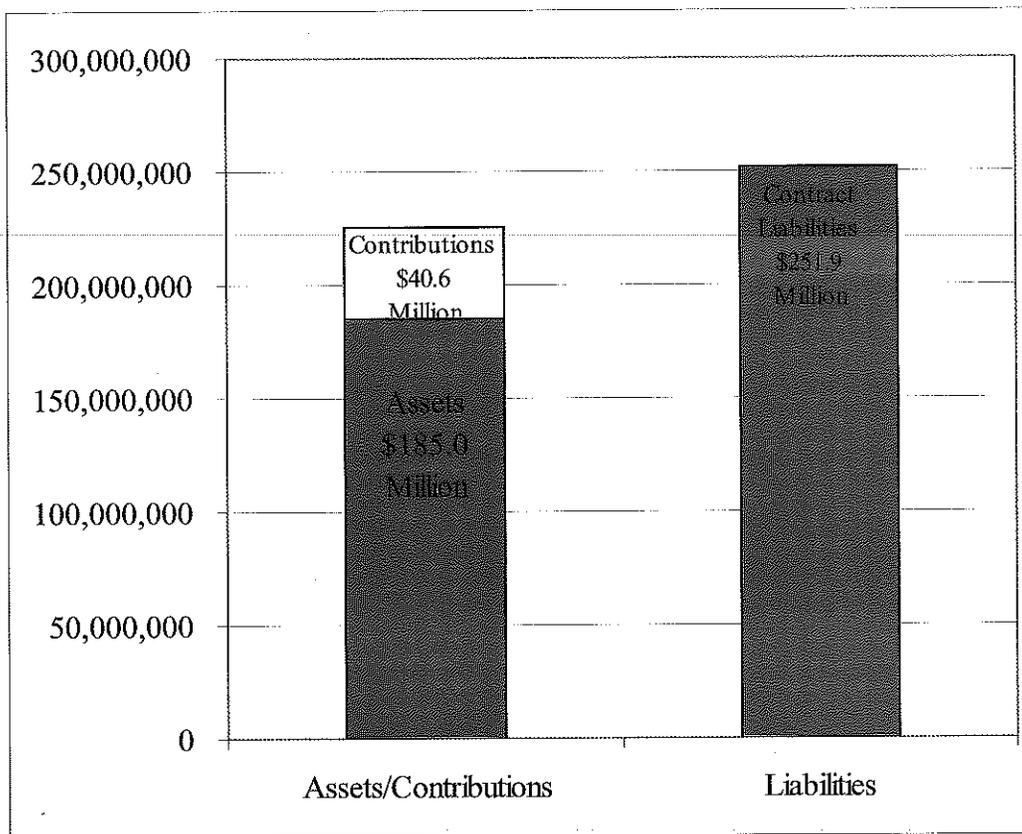
Tuition increases are assumed to be 6.5% per year for all future years at universities, and 6.0% per year for all future years at junior colleges. Investments are assumed to return 7.8% per year for all future years. These assumptions, the other assumptions and the methodology are described more fully in the body of this report.

Funded Status

As of June 30, 2006 the expected liabilities of the Program exceeds the value of the assets of the Program (including the value of future payments by contract purchasers) by \$26.2 million. The funded ratio, assets divided by liabilities, is 89.6%, compared to 87.2% a year ago. The assumptions used to perform the actuarial valuation of the fund are described later in this report. The primary assumptions are:

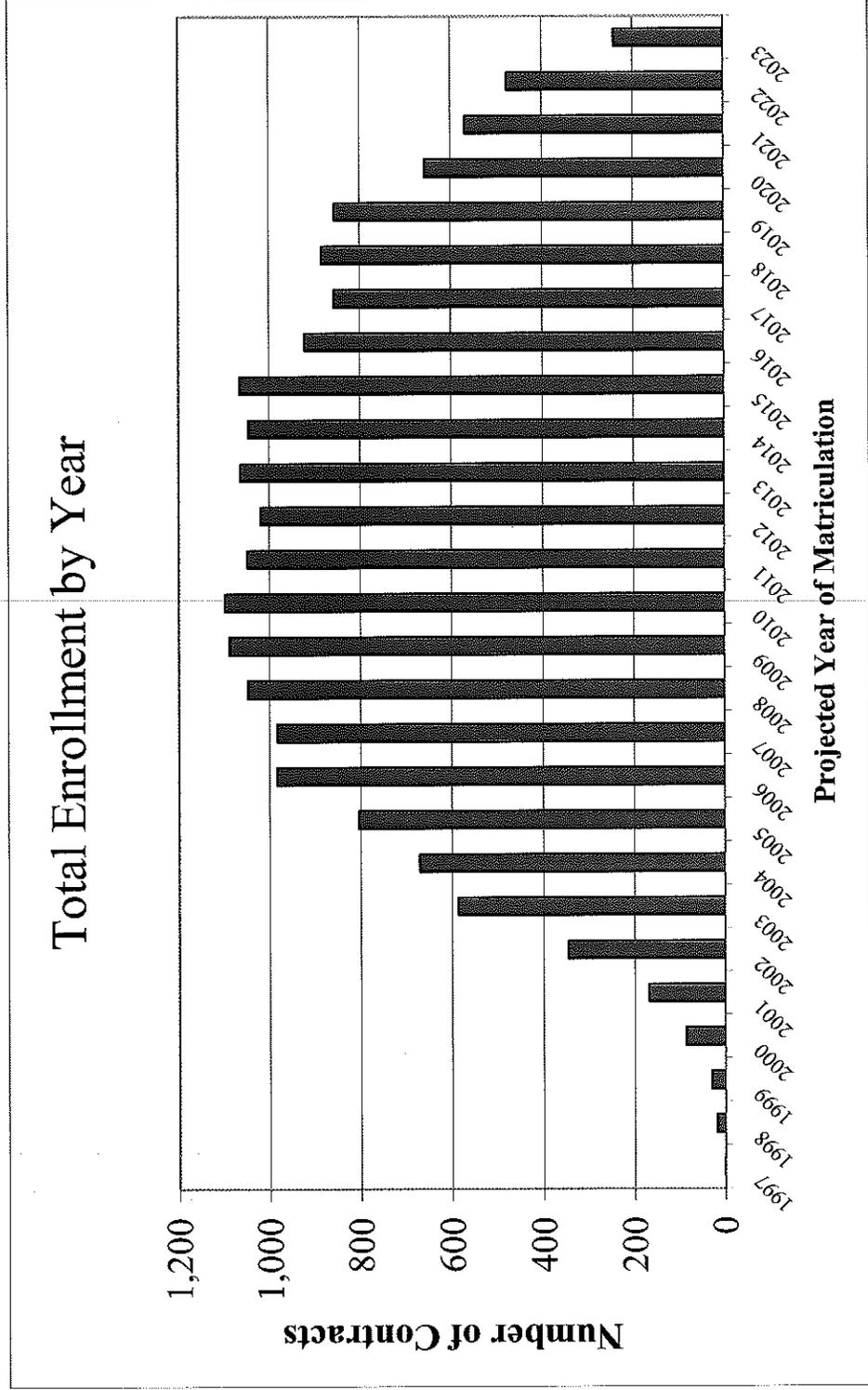
- Tuition increases 6.5% per year for four-year universities
 6.0% per year for junior colleges

- Investment return 7.8% per year

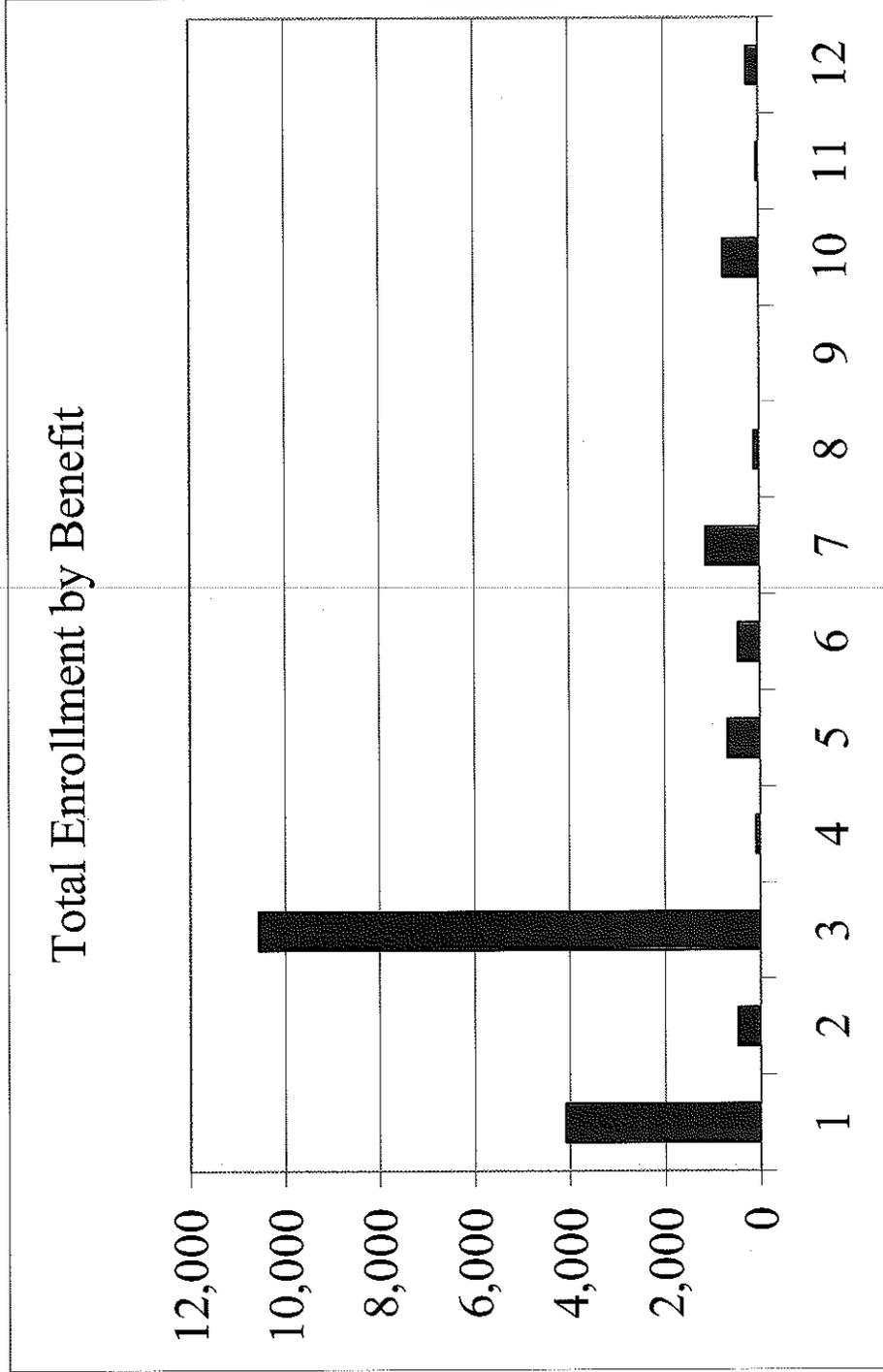


Contract Sales

Contracts can be purchased for a wide range of ages from newborn through high school senior. The chart below illustrates, based on current participation, the total number of active contracts by expected year of college or university matriculation.



Contracts can be purchased for a variety of plans, from one year to five years of tuition and for junior college, four-year university, or various combinations thereof. The chart below illustrates the total number of current enrollees by type of contract.



Type of Contract	1	2	3	4	5	6	7	8	9	10	11	12
Years Junior College	2	1	0	0	0	0	2	1	1	0	1	2
Years Four-Year College	2	3	4	3	2	1	0	0	1	5	4	3

Historic Tuition/Fee Increases

The average tuition for four-year universities is assumed to increase 6.5% per year. The average tuition for junior and community colleges is 6.0% per year. The chart below illustrates the actual increases over the last twenty years compared to that assumption.

Fiscal Year Ending	Average Tuition/Fees	Annual Increase	Weighted Average Tuition	Annual Increase	Average Tuition/Fees	Annual Increase	Weighted Average Tuition	Annual Increase
1988	1,667	4.94%			614	17.60%		
1989	1,672	0.30%			622	1.30%		
1990	1,837	9.87%			646	3.86%		
1991	1,908	3.86%			686	6.19%		
1992	2,083	9.17%			728	6.12%		
1993	2,314	11.09%			818	12.36%		
1994	2,317	0.13%			942	15.16%		
1995	2,371	2.33%			938	-0.42%		
1996	2,399	1.18%			938	0.00%		
1997	2,426	1.13%			953	1.60%		
1998	2,513	3.59%	2,501	0.73%	960	0.73%		
1999	2,764	9.99%	2,570	2.76%	971	1.15%		
2000	2,764	0.00%	2,862	11.36%	1,015	4.53%		
2001	2,864	3.62%	2,962	3.49%	1,083	6.70%		
2002	3,294	15.01%	3,408	15.06%	1,283	18.47%		
2003	3,578	8.62%	3,716	9.04%	1,395	8.73%	1,392	1.80%
2004	3,599	0.59%	3,747	0.83%	1,411	1.15%	1,417	10.87%
2005	3,850	6.97%	3,988	6.43%	1,561	10.63%	1,571	6.75%
2006	4,037	4.86%	4,179	4.79%	1,692	8.39%	1,677	1.13%
2007	4,295	6.39%	4,445	6.37%	1,712	1.18%	1,696	

Compound Annual Increase

20 Years	5.10%			6.12%
15 Years	4.94%			5.87%
10 Years	5.88%	(9 Years)	6.60%	6.03%
5 Years	5.45%		5.46%	5.94%
		(4 Years)		5.06%

Sensitivity of Results to Variations in Experience

The table below was prepared to illustrate how variations in future experience will affect the current surplus/ (deficit) of the Program. The Program surplus/ (deficit) as of June 30, 2006 is (\$26.2) million under the base set of assumptions as stated in this report.

Variations in Tuition

Baseline Assumptions	Surplus/(Deficit):	(\$26.2) million
University tuition inflation higher all years by 25 basis points	Surplus/(Deficit):	(\$30.3) million
University tuition lower in all years by 25 basis points	Surplus/(Deficit):	(\$22.2) million
Bias Load is 4% rather than 3%	Surplus/(Deficit):	(\$28.7) million
Bias Load is 2% rather than 3%	Surplus/(Deficit):	(\$23.8) million

Variations in Investment Income

Investment income rate lower in all years by 25 basis points	Surplus/(Deficit):	(\$30.0) million
Investment income rate higher in all years by 25 basis points	Surplus/(Deficit):	(\$22.5) million

Break Even Interest Rate

An investment earnings rate of 9.74% is required for the Program to satisfy all future benefits and expenses in the projection period if other experience is consistent with the actuarial assumptions. This rate is slightly higher than last year's result.

Break Even Inflation Rates

Maintaining the current relationship that the university inflation rate is 50 basis points greater than the junior college inflation rate, a 4.75% university inflation rate and a 4.25% junior college inflation rate are required for the Program to satisfy all future benefits and expenses in the projection period if other experience is consistent with the actuarial assumptions. These equivalent rates are slightly higher than last year's results.

VALUATION ASSUMPTIONS AND METHODS

Actuarial Assumptions

The assumptions used in the actuarial valuation of the Program are described below. These assumptions were developed by the Board.

Tuition Increases: The Weighted Average Tuition for four-year universities is assumed to increase at 6.5% per year. The Weighted Average Tuition for junior colleges is assumed to increase at 6.0% per year.

Investment Return: Invested assets are assumed to earn 7.8% per year. The Program is exempt from Federal Income Tax.

Enrollment of MPACT Beneficiaries: Beneficiaries are assumed to attend college or university full time commencing with the expected matriculation date (the Fall following high school graduation). Further, it is assumed that the contract beneficiaries will not attend the available colleges and universities in the same proportion as the headcount information that was used to determine the 2004/05 Weighted Average Tuition, but rather attend on average more expensive schools than those included in the aforementioned information. Accordingly, a 3% “bias load” was added to the university Weighted Average Tuition to allow for anti-selection toward matriculation at schools with higher tuition.

Contract Cancellations: It was assumed that there would be no contract cancellations.

Deaths and Disability: Mortality and disability decrements were not used.

Actuarial Methods

The actuarial valuation of the Program is based on projections of tuition and required fees expected to be paid on behalf of Program beneficiaries, and on amounts paid into the Program from contract installment payments. This actuarial valuation is based on the data described and corresponding sources of data described below.

<u>Data</u>	<u>Source</u>
Tuition & required fees at four-year universities	Mississippi Institutions of Higher Learning
Headcount at four-year universities	Mississippi Institutions of Higher Learning
MPACT active contract inventory	InTuition Solutions, Inc.
Tuition & required fees at junior colleges	State Board of Community & Junior Colleges
Headcount at junior colleges	State Board of Community & Junior Colleges

MPACT Beneficiaries (Appendix B): The future payments expected to be made to and from the trust fund have been determined based on the number of contracts shown in Appendix C. This information is based on actual enrollment in the program as provided by the above sources.

Weighted Average Tuition: Four-Year Universities (Appendix C): The Weighted Average Tuition for public four-year universities in Mississippi is the average of tuition and required fees at each of the four-year universities, weighted by full-time equivalent resident enrollment headcount at each university.

Resident enrollment headcount is the number of undergraduate students eligible to pay in-state tuition at Mississippi four-year universities. The full-time headcounts as of Fall 2005 were used to determine the Weighted Average Tuition.

VALUATION ASSUMPTIONS AND METHODS

Weighted Average Tuition: Junior and Community Colleges (Appendix D): The Weighted Average Tuition for junior and community colleges was determined using the same methodology as for four-year universities, except the weighting was based on the average full-time headcounts at each college for the Fall 2004 and Fall 2005 semesters.

Annual Increases in Weighted Average Tuition (Appendix E): The one-year increase in Weighted Average Tuition is shown along with the actual required tuition and fees for all applicable schools. The Weighted Average Tuition rates are used to calculate the prices charged to new contracts for the upcoming year.

Appendix A

Funded Status

Market Value of Assets	185,038,122
Actuarial Present Value of future contract installment payments	<u>40,598,616</u>
Subtotal	225,636,738
Actuarial present value of future payments of tuition and fees	251,854,919
Surplus/(Deficit)	(26,218,182)

Mississippi Prepaid Affordable College Tuition Program

APPENDICES

Appendix B

MPACT Beneficiaries

Projected Enrollment Year	Type of Contract													Total Enrollment by Yr	Percent of Total
	2+2	1+3	4 Yr Univ	3 Yr Univ	2 Yr Univ	1 Yr Univ	2 Yr Jr Coll	1 Yr Jr Coll	1+1	5 Yr Univ	1+4	2+3			
1997	-	-	1	-	-	-	-	-	-	-	-	-	-	1	0.01%
1998	4	1	10	1	-	1	2	-	-	-	-	-	-	19	0.10%
1999	3	1	24	-	-	2	-	-	-	-	-	-	-	30	0.16%
2000	25	5	51	-	1	1	2	-	1	-	-	-	-	86	0.46%
2001	44	4	98	1	7	3	7	1	1	-	-	1	-	167	0.90%
2002	72	14	223	-	10	3	18	3	1	1	-	-	-	345	1.86%
2003	122	19	375	4	15	8	26	-	2	11	1	2	-	585	3.15%
2004	120	13	424	5	31	21	40	2	10	10	-	4	-	670	3.60%
2005	161	23	453	4	42	25	68	2	17	3	6	6	-	804	4.32%
2006	195	35	576	4	38	31	69	6	21	-	8	8	-	983	5.29%
2007	213	21	536	5	40	34	83	11	26	4	10	10	-	983	5.29%
2008	237	22	619	4	31	17	87	5	17	2	6	6	-	1,047	5.63%
2009	238	33	601	3	43	44	79	11	24	1	11	11	-	1,088	5.85%
2010	252	31	619	2	43	24	83	2	28	3	10	10	-	1,097	5.90%
2011	231	27	598	2	45	31	60	7	32	-	14	14	-	1,047	5.63%
2012	250	23	559	5	50	26	49	9	32	1	14	14	-	1,018	5.47%
2013	258	35	573	2	55	20	66	6	34	1	12	12	-	1,062	5.71%
2014	235	30	577	5	30	31	78	6	37	-	16	16	-	1,045	5.62%
2015	245	35	634	1	28	20	59	1	30	1	10	10	-	1,064	5.72%
2016	205	19	530	6	33	18	53	8	34	2	13	13	-	921	4.95%
2017	198	19	452	4	32	15	50	5	53	5	24	24	-	857	4.61%
2018	179	20	492	5	27	19	37	6	80	5	13	13	-	883	4.75%
2019	165	22	477	5	26	18	39	5	80	2	16	16	-	855	4.60%
2020	152	5	364	3	15	14	24	5	48	3	23	23	-	656	3.53%
2021	149	7	269	2	18	15	26	5	61	2	13	13	-	567	3.05%
2022	91	5	272	1	12	12	19	-	44	1	18	18	-	475	2.55%
2023	35	3	151	-	7	3	10	-	29	-	3	3	-	241	1.30%
4,079	472	2.54%	10,558	74	679	456	1,134	106	751	38	247	247	-	18,596	
21.93%	2.54%	56.78%	0.40%	3.65%	2.45%	6.10%	0.57%	0.01%	4.04%	0.20%	1.33%	1.33%	-	100.00%	

Appendix C

Weighted Average Tuition Calculation – Four Year Universities

Institution	Full-Time Equivalent Enrollment 2005-2006	Percentage of Total	Tuition and Required Fees 2007 Fiscal Year
Alcorn State University	2,866	6.03%	4,156
Delta State University	2,900	6.10%	4,008
Jackson State University	6,127	12.89%	4,224
Mississippi State University	10,890	22.91%	4,595
Mississippi University for Women	1,781	3.75%	3,933
Mississippi Valley State University	2,308	4.86%	4,247
University of Mississippi	10,443	21.97%	4,603
University of Southern Mississippi	10,219	21.50%	4,593
Total	<u>47,534</u>		
		Weighted Average	4,444.52
		Semester Hour	138.89
		Quarter Hour	92.59

Appendix D

Weighted Average Tuition Calculation – Junior and Community Colleges

	Resident Enrollment Fall 2004	Resident Enrollment Fall 2005	Average Resident Enrollment	Tuition and Required Fees 2007 Fiscal Yr.
Coahoma Community College	1,935	1,898	1,917	1,800
Copiah-Lincoln Community College	2,856	3,011	2,934	1,800
East Central Community College	2,554	2,350	2,452	1,552
East Mississippi Community College	4,234	4,173	4,204	1,820
Hinds Community College	9,752	10,142	9,947	1,740
Homes Community College	4,491	4,894	4,693	1,424
Itawamba Community College	4,621	4,980	4,801	1,660
Jones Community College	4,768	4,841	4,805	1,740
Meridian Community College	3,572	3,435	3,504	1,630
Mississippi Delta Community College	3,169	3,082	3,126	1,920
Mississippi Gulf Community College	10,424	7,804	9,114	1,602
Northeast Mississippi Community College	3,189	3,133	3,161	1,764
Northwest Mississippi Community College	6,326	6,289	6,308	1,700
Pearl River Community College	3,766	3,586	3,676	1,726
Southwest Mississippi Community College	1,990	1,769	1,880	1,800
Total	67,647	65,387	66,517	
			Weighted Average	1,696.46
			Semester Hour	53.01
			Quarter Hour	35.34

Appendix E

Weighted Average Tuition	Annual Increase in Weighted Average Tuition		Increase	% Change
	2005-2006	2006-2007		
Universities				
1 Year	4,178.50	4,444.52	266.02	6.37%
4 Year	16,714.00	17,778.08	1,064.08	6.37%
Per Semester Hour	130.58	138.89	8.31	6.36%
Per Quarter Hour	87.08	92.59	5.51	6.33%
Lump Sum Payment One Year	4,400.00	4,700.00	300.00	6.82%
Community Colleges				
1 Year	1,677.00	1,696.46	19.46	1.16%
4 Year	3,354.00	3,392.92	38.92	1.16%
Per Semester Hour	52.41	53.01	0.60	1.14%
Per Quarter Hour	34.94	35.34	0.40	1.14%
Lump Sum Payment One Year	1,706.00	1,790.00	84.00	4.92%

Tuition and Required Fees Fiscal 2007

	1 Year	4 Year
Alcorn State University	4,156	16,624
Delta State University	4,008	16,032
Jackson State University	4,224	16,896
Mississippi State University	4,595	18,380
Mississippi University for Women	3,933	15,732
Mississippi Valley State University	4,247	16,988
University of Mississippi	4,603	18,412
University of Southern Mississippi	4,593	18,372
	1 Year	2 Year
Coahoma Community College	1,800	3,600
Copiah-Lincoln Community College	1,800	3,600
East Central Community College	1,552	3,104
East Mississippi Community College	1,820	3,640
Hinds Community College	1,740	3,480
Homes Community College	1,424	2,848
Itawamba Community College	1,660	3,320
Jones Community College	1,740	3,480
Meridian Community College	1,630	3,260
Mississippi Delta Community College	1,920	3,840
Mississippi Gulf Community College	1,602	3,204
Northeast Mississippi Community College	1,764	3,528
Northwest Mississippi Community College	1,700	3,400
Pearl River Community College	1,726	3,452
Southwest Mississippi Community College	1,800	3,600