

MISSISSIPPI PREPAID AFFORDABLE COLLEGE TUITION
PROGRAM

ACTUARIAL VALUATION
AND REPORT

JUNE 30, 2008

CollegeSavings
MISSISSIPPI



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

September 2, 2008

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, 2008. 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, 2008.

A comparison of the assets and liabilities of the trust fund shows that as of June 30, 2008 there remains a deficit of about \$48.7 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,

Michael E. Brister
Fellow, Society of Actuaries
Principal

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Valuation Results

As of June 30, 2008 the Program has an unfunded liability of about \$48.7 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 \$48.7 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, 2008. Program staff provided us with information relating to assets and investment returns.

On a funded percentage basis, the plan is 84.3% funded. This compares to a funded percentage of 95.2% as of June 30, 2007. This decrease in the funded percentage is due to significantly lower than assumed return on assets. The return on assets was -7.0% (lower than the assumed 7.8%). The actuarial loss from lower than expected investment returns was slightly offset by lower than expected tuition inflation. The increase in weighted average tuition for four-year universities and colleges was 3.74% (below the assumed 6.5%). The increase in weighted average tuition for junior and community colleges was 2.64% (below the assumed 6.0%).

Contract Sales

As of June 30, 2008 there were 20,416 participants enrolled in the Program. This compares to 19,593 participants in the Program as of June 30, 2007.

The majority of the current contracts are for four-year university (11,492 contracts or 56%). There were also 4,374 two-year junior college plus two-year university contracts (21% of the total) and 1,228 two-year junior college contracts (6% of the total). The other 3,322, or 17% 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 \$4,936 for the fall of 2008, an increase of 3.74% over the WAT of \$4,758 in the fall of 2007.

WAT for junior colleges is \$1,757 for the fall of 2008, an increase of 2.64% over the WAT of \$1,712 in the fall of 2007.

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.

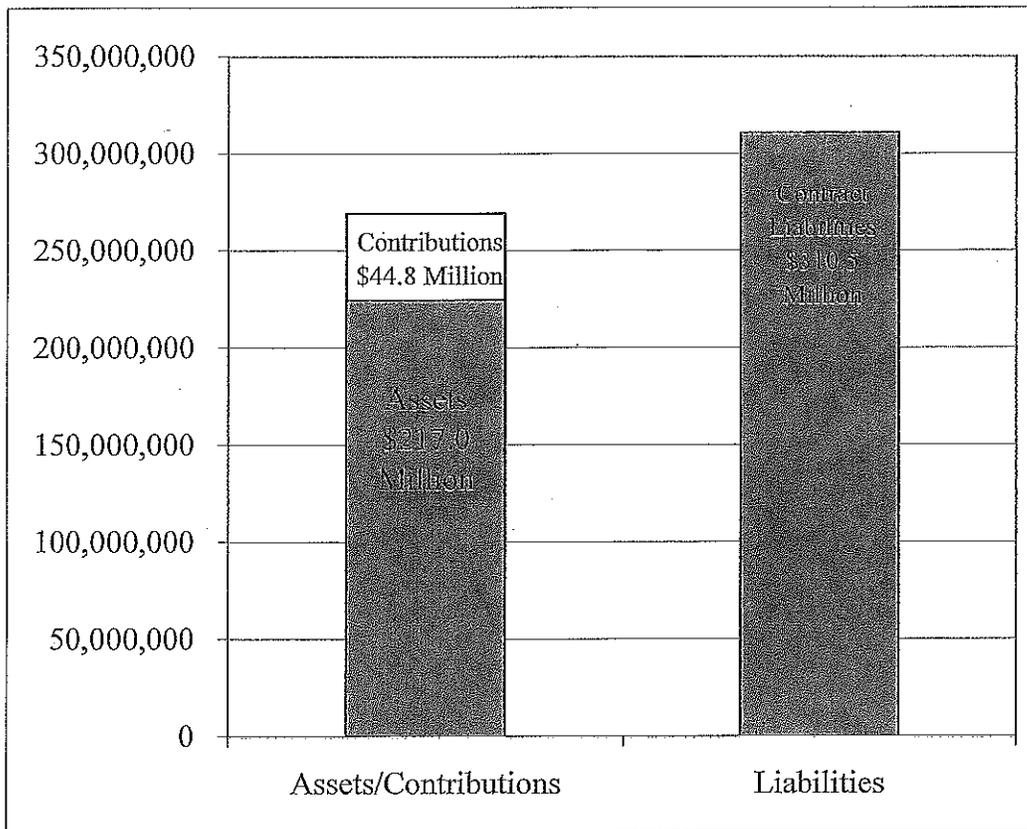
Yearly Comparison of Selected Plan Year Information

	Plan Year		
	06/30/2006	06/30/2007	06/30/2008
Number of Contracts	18,596	19,593	20,416
Present Value of Contract Liabilities	\$ 251,854,919	\$ 280,786,786	\$ 310,489,969
Present Value of Future Contributions	40,598,616	42,849,740	44,778,901
Market Value of Assets	185,038,122	224,421,205	217,033,205
Funded Ratio	89.6%	95.2%	84.3%
Surplus/(Deficit)	\$ (26,218,182)	\$ (13,515,841)	\$ (48,677,862)

Funded Status

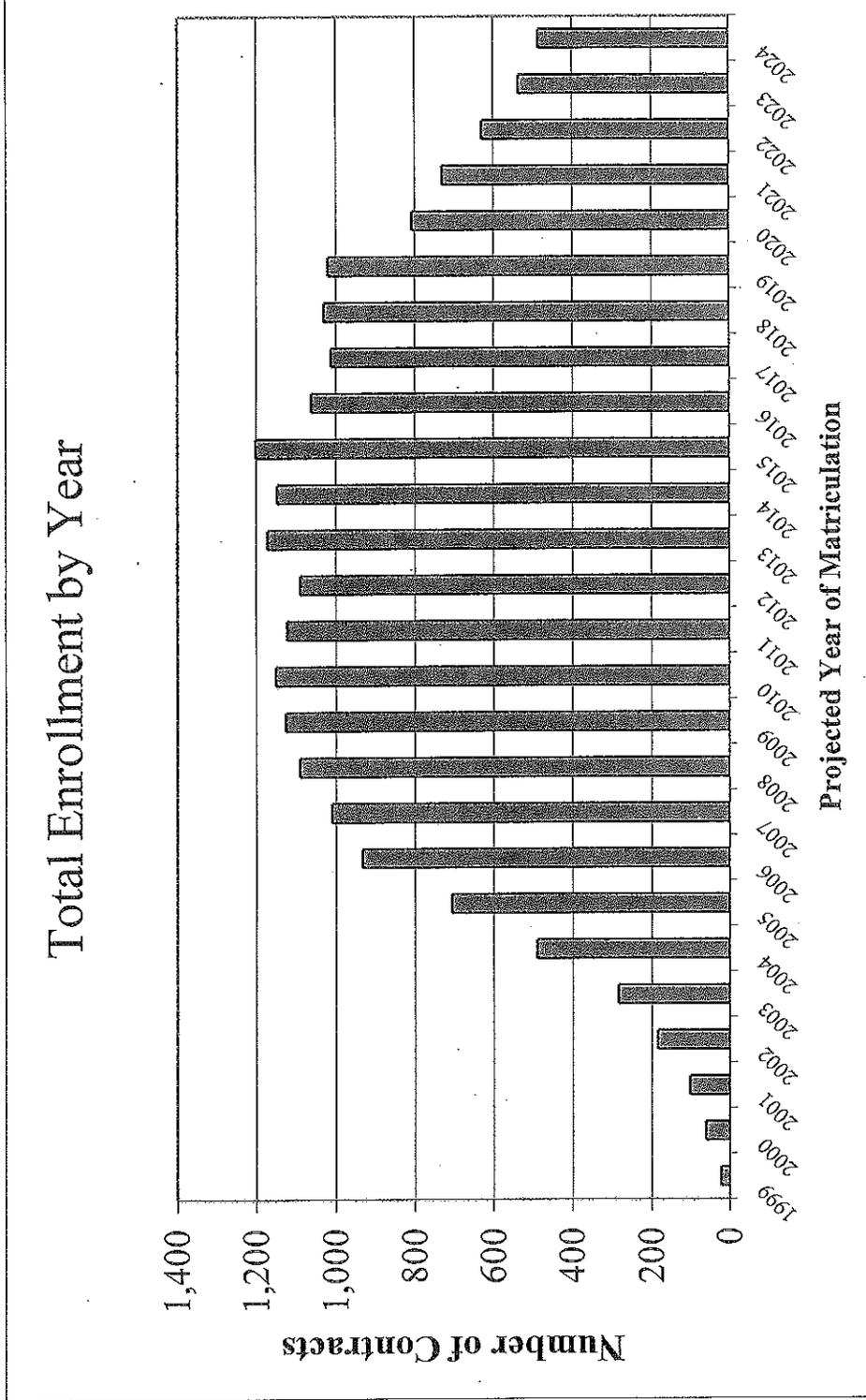
As of June 30, 2008 the expected liabilities of the Program exceeds the value of the assets of the Program (including the value of future payments by contract purchasers) by \$48.7 million. The funded ratio, assets divided by liabilities, is 84.3%, compared to 95.2% a year ago. The assumptions used to 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

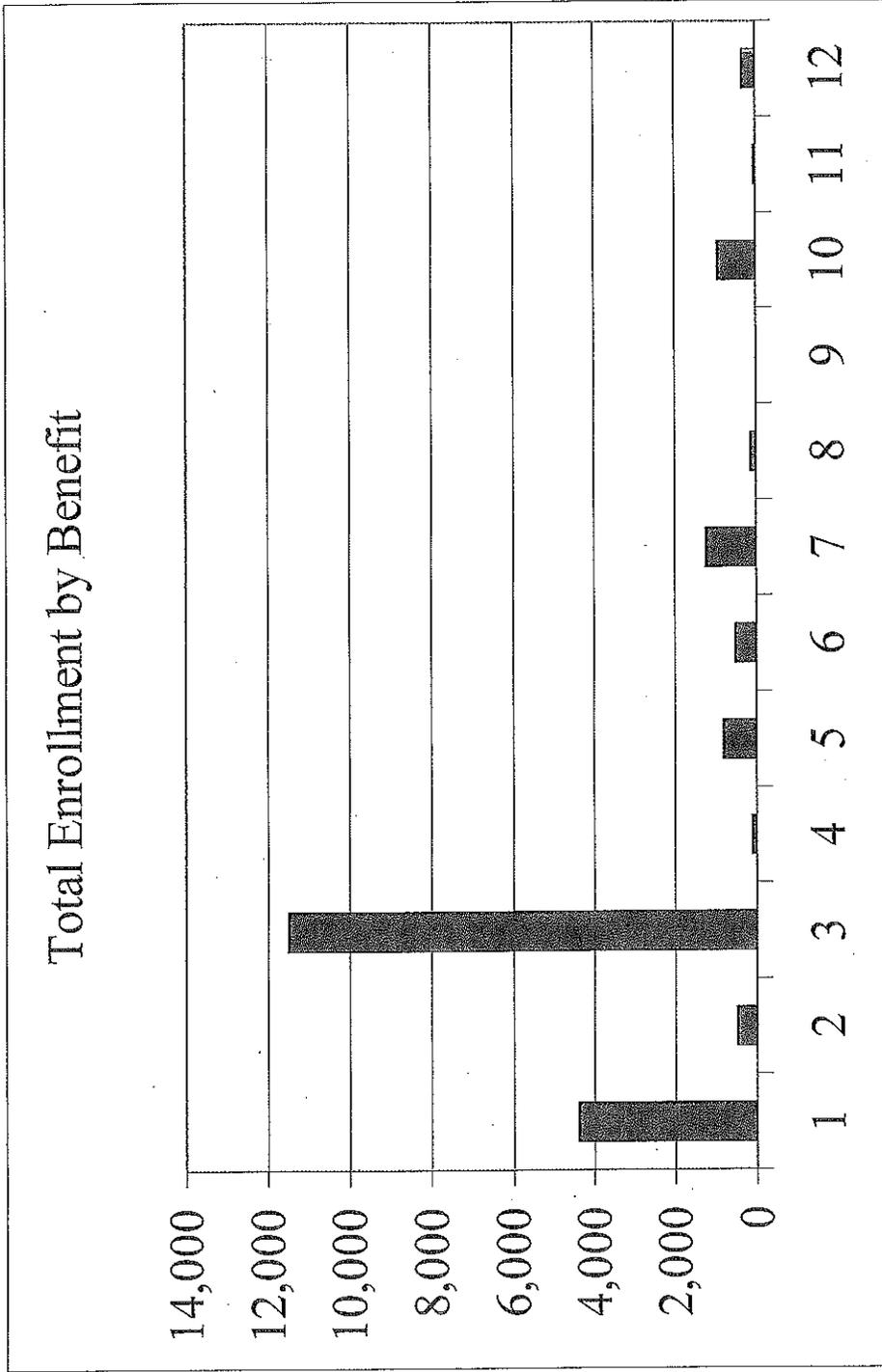


Contract Sales

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.

Four Year Colleges and Universities				Junior and Community Colleges			
Fiscal Year Ending	Average Tuition/Fees	Annual Increase	Weighted Average Tuition	Average Tuition/Fees	Annual Increase	Weighted Average Tuition	Annual Increase
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	960	0.73%		
1999	2,764	9.99%	2,570	971	1.15%		
2000	2,764	0.00%	2,862	1,015	4.53%		
2001	2,864	3.62%	2,962	1,083	6.70%		
2002	3,294	15.01%	3,408	1,283	18.47%		
2003	3,578	8.62%	3,716	1,395	8.73%	1,392	
2004	3,599	0.59%	3,747	1,411	1.15%	1,417	1.80%
2005	3,850	6.97%	3,988	1,561	10.63%	1,571	10.87%
2006	4,037	4.86%	4,179	1,692	8.39%	1,677	6.75%
2007	4,295	6.39%	4,445	1,712	1.18%	1,696	1.13%
2008	4,563	6.24%	4,758	1,726	0.82%	1,712	0.92%
2009	4,742	3.92%	4,936	1,766	2.32%	1,757	2.64%

Compound Annual Increase

20 Years	5.35%	5.36%
15 Years	4.89%	4.28%
10 Years	5.55%	6.74%
5 Years	5.67%	5.67%
		4.39%

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, 2008 is (\$48.7) million under the base set of assumptions as stated in this report.

Variations in Tuition

Baseline Assumptions	Surplus/(Deficit):	(\$48.7) million
University tuition inflation higher all years by 25 basis points	Surplus/(Deficit):	(\$55.1) million
University tuition lower in all years by 25 basis points	Surplus/(Deficit):	(\$42.4) million
Bias Load is 4% rather than 3%	Surplus/(Deficit):	(\$51.7) million
Bias Load is 2% rather than 3%	Surplus/(Deficit):	(\$45.7) million

Variations in Investment Income

Investment income rate lower in all years by 25 basis points	Surplus/(Deficit):	(\$54.3) million
Investment income rate higher in all years by 25 basis points	Surplus/(Deficit):	(\$43.2) million

Break Even Interest Rate

An investment earnings rate of 10.31% 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 greater than last year's result of 8.47%.

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 4.4% university inflation rate and a 3.9% 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 less than last year's results.

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 2008/09 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 2007 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 2006 and Fall 2007 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	217,033,205
Actuarial Present Value of future contract installment payments	<u>44,778,901</u>
Subtotal	261,812,106
Actuarial present value of future payments of tuition and fees	310,489,969
Surplus/(Deficit)	(48,677,862)

APPENDICES

Appendix B

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			
1998	1	-	1	-	-	-	-	-	-	-	-	-	-	2	0.01%
1999	1	1	15	-	-	2	-	-	-	-	-	-	-	19	0.09%
2000	18	4	34	-	-	1	-	-	-	-	-	-	-	61	0.30%
2001	25	3	60	1	-	4	-	-	1	-	-	-	-	101	0.50%
2002	41	8	109	-	-	5	-	-	2	-	-	-	-	184	0.91%
2003	67	8	168	2	-	8	-	-	2	-	-	-	-	281	1.39%
2004	89	9	324	4	-	15	-	-	1	-	-	-	-	488	2.42%
2005	142	21	440	4	-	25	-	-	2	-	-	-	-	706	3.50%
2006	186	32	558	6	-	36	-	-	4	-	-	-	-	932	4.62%
2007	205	22	573	5	-	38	-	-	8	-	-	-	-	1,009	5.00%
2008	228	20	653	4	-	36	-	-	7	-	-	-	-	1,089	5.40%
2009	235	34	627	5	-	43	-	-	11	-	-	-	-	1,124	5.57%
2010	258	30	637	6	-	47	-	-	2	-	-	-	-	1,150	5.70%
2011	242	28	630	3	-	54	-	-	8	-	-	-	-	1,121	5.56%
2012	262	23	599	6	-	53	-	-	10	-	-	-	-	1,088	5.39%
2013	281	36	621	4	-	65	-	-	9	-	-	-	-	1,171	5.80%
2014	249	30	632	5	-	42	-	-	8	-	-	-	-	1,147	5.69%
2015	272	37	698	3	-	42	-	-	4	-	-	-	-	1,201	5.95%
2016	231	20	601	6	-	47	-	-	11	-	-	-	-	1,061	5.26%
2017	230	24	527	5	-	39	-	-	4	-	-	-	-	1,011	5.01%
2018	207	21	567	7	-	35	-	-	7	-	-	-	-	1,029	5.10%
2019	197	27	562	6	-	38	-	-	6	-	-	-	-	1,018	5.05%
2020	184	8	437	3	-	33	-	-	7	-	-	-	-	806	4.00%
2021	184	9	346	2	-	29	-	-	4	-	-	-	-	729	3.61%
2022	118	8	360	1	-	29	-	-	1	-	-	-	-	628	3.11%
2023	93	8	304	2	-	21	-	-	-	-	-	-	-	534	2.65%
2024	87	3	277	3	-	13	-	-	5	-	-	-	-	484	2.40%
2025	41	4	132	3	-	8	-	-	2	-	-	-	-	242	1.23%
2026	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
	4,374	478	11,492	96	-	806	-	-	124	-	-	-	-	20,416	
						516		2	938	40	322				

Appendix C

Weighted Average Tuition Calculation – Four Year Universities

Institution	Full-Time Equivalent Enrollment Fall 2007	Percentage of Total	Tuition and Required Fees 2007 Fiscal Year
Alcorn State University	2,894	5.64%	4,498
Delta State University	2,945	5.74%	4,449
Jackson State University	6,283	12.25%	4,634
Mississippi State University	12,029	23.45%	5,150
Mississippi University for Women	1,824	3.56%	4,423
Mississippi Valley State University	2,373	4.63%	4,575
University of Mississippi	12,107	23.60%	5,107
University of Southern Mississippi	10,850	21.15%	5,096
Total	<u>51,305</u>		
	Weighted Average		4,936.00
	Semester Hour		154.25
	Quarter Hour		102.83

Appendix D

Weighted Average Tuition Calculation – Junior and Community Colleges

	Resident Enrollment Fall 2006	Resident Enrollment Fall 2007	Average Resident Enrollment	Tuition and Required Fees 2009 Fiscal Yr.
Coahoma Community College	1,772	2,144	1,958	1,800
Copiah-Lincoln Community College	3,112	3,161	3,137	1,800
East Central Community College	2,189	2,228	2,209	1,550
East Mississippi Community College	4,279	4,010	4,145	1,820
Hinds Community College	9,646	9,825	9,736	1,740
Homes Community College	4,876	5,108	4,992	1,624
Itawamba Community College	5,213	5,864	5,539	1,660
Jones Community College	4,467	4,559	4,513	1,920
Meridian Community College	3,506	3,536	3,521	1,710
Mississippi Delta Community College	2,822	2,888	2,855	1,920
Mississippi Gulf Community College	8,822	8,858	8,840	1,752
Northeast Mississippi Community College	3,189	3,342	3,266	1,890
Northwest Mississippi Community College	6,294	6,436	6,365	1,700
Pearl River Community College	3,791	3,917	3,854	1,806
Southwest Mississippi Community College	1,752	1,843	1,798	1,800
Total	65,730	67,719	66,725	
			Weighted Average	1,756.78
			Semester Hour	54.90
			Quarter Hour	36.60

Appendix E

Weighted Average Tuition	Annual Increase in Weighted Average Tuition		Increase	% Change
	2007-2008	2008-2009		
Universities				
1 Year	4,758.00	4,936.00	178.00	3.74%
4 Year	19,032.00	19,744.00	712.00	3.74%
Per Semester Hour	148.69	154.25	5.56	3.74%
Per Quarter Hour	99.13	102.83	3.70	3.73%
Lump Sum Payment One Year	5,067.00	5,256.84	189.84	3.75%

Community Colleges

1 Year	1,711.52	1,756.78	45.26	2.64%
4 Year	3,423.04	3,513.56	90.52	2.64%
Per Semester Hour	53.49	54.90	1.41	2.64%
Per Quarter Hour	35.66	36.60	0.94	2.64%
Lump Sum Payment One Year	1,814.21	1,862.19	47.98	2.64%

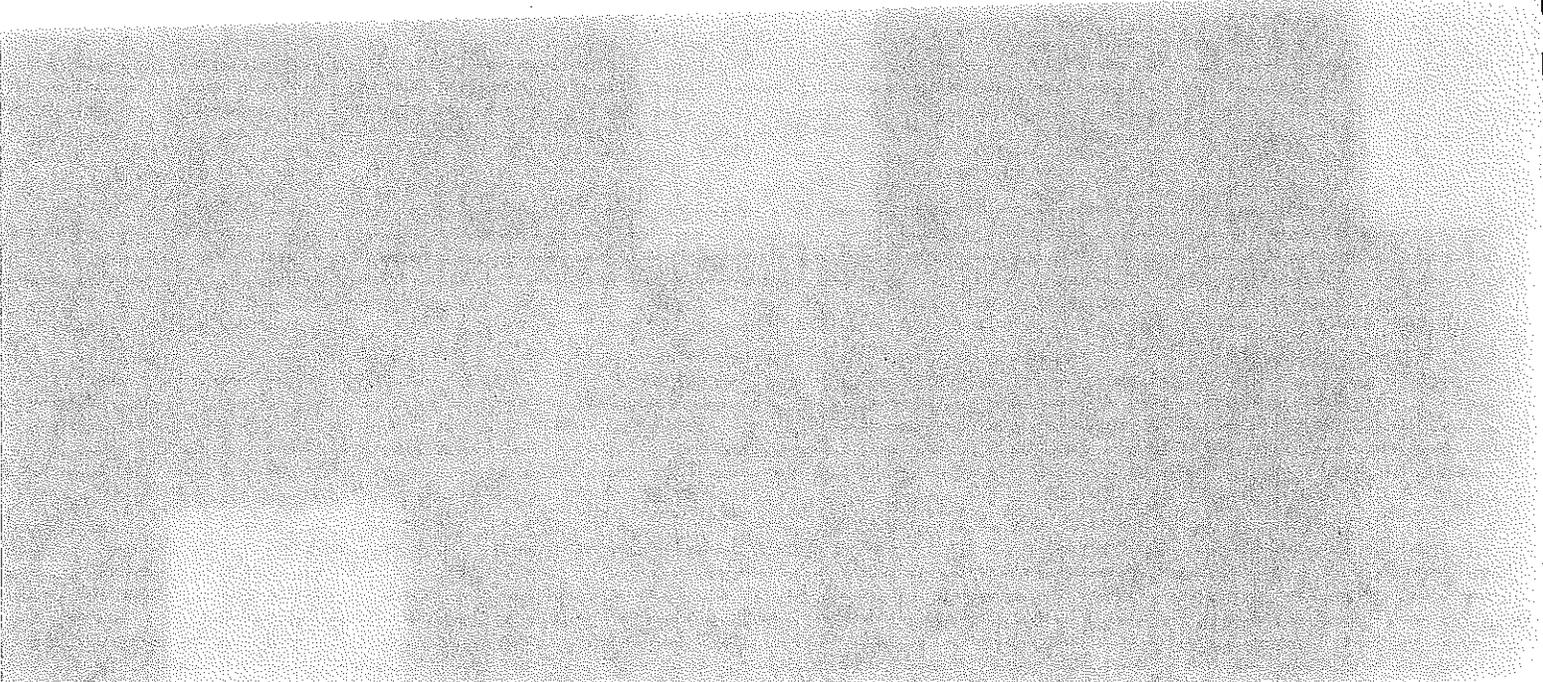
Tuition and Required Fees Fiscal 2009

	1 Year	4 Year
Alcorn State University	4,498	17,992
Delta State University	4,449	17,796
Jackson State University	4,634	18,536
Mississippi State University	5,150	20,600
Mississippi University for Women	4,423	17,692
Mississippi Valley State University	4,575	18,300
University of Mississippi	5,107	20,428
University of Southern Mississippi	5,096	20,384

	1 Year	2 Year
Coahoma Community College	1,800	3,600
Copiah-Lincoln Community College	1,800	3,600
East Central Community College	1,550	3,100
East Mississippi Community College	1,820	3,640
Hinds Community College	1,740	3,480
Homes Community College	1,624	3,248
Itawamba Community College	1,660	3,320
Jones Community College	1,920	3,840
Meridian Community College	1,710	3,420
Mississippi Delta Community College	1,920	3,840
Mississippi Gulf Community College	1,752	3,504
Northeast Mississippi Community College	1,890	3,780
Northwest Mississippi Community College	1,700	3,400
Pearl River Community College	1,806	3,612
Southwest Mississippi Community College	1,800	3,600

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