South Carolina Tuition Prepayment Program

2020 Actuarial Valuation Report

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Executive Summary

A. Summary of Key Valuation Results

	Actuarial Valuation as of:	
	June 30, 2019	June 30, 2020
Program Assets		
Invested Assets at Fair Market Value	$40,761,708	$30,592,094
Present Value of Projected Future Premium Contributions	612,032	350,123
Total Assets	$41,373,740	$30,942,217
Program Obligations		
Present Value of Projected Future Benefits and Expenses	$78,271,541	$62,481,134
Accrued Program Management Fees	10,182	7,652
Total Liability for Obligations	$78,281,723	$62,488,786
Actuarial Reserve		
Actuarial Reserve/(Deficit)	($36,907,983)	($31,546,569)
Funded Ratio	52.9%	49.5%
Key Assumptions		
Single Effective Discount Rate for Determining the Present Value of Program Obligations	2.37%	1.12%
Assumed Tuition Inflation Growth Rate	5.50%	5.50%

B. Actuarial Discussion and Analysis

An actuarial valuation of the South Carolina Tuition Prepayment Program (the "Program") is conducted annually to analyze the ability of projected Program resources to fully meet projected Program contract obligations and Program expenses. The actuarial reserve is the amount, stated in present value terms, by which the expected value of Program assets (resources) exceeds the expected value of Program liabilities, including expenses (obligations). The calculation is done as of a single point in time, using a single set of actuarial assumptions and methods.

While the actuarial valuation uses a single set of actuarial assumptions, actual future Program experience will differ from the assumptions used in the valuation's calculations. The assumptions used for this report have been updated since last year based on an experience study completed by Milliman this year.

As of June 30, 2020 the Program has assets of $30,942,218 and obligations of $62,488,786. The difference in values creates an actuarial deficit of $31,546,568. The ratio of assets to obligations, known as the funded ratio, is 49.5%. Based on the assumptions used for the valuation, the Program is expected to have insufficient assets to fund payments for spring semester 2023 (note that spring semester payments can begin as early as the month of January). Please see Exhibit 5 for a projection of the Program's expected cash flows. Possible options for dealing with the deficit include both ongoing plan and shutdown scenarios:

Ongoing Plan Options

Lump Sum Appropriation
The current deficit increases at an annualized rate of 1.12%, thus appropriations to cover the deficit are expected to increase over time as follows:

Date	Required Appropriation
June 30, 2020	$31.5 million
June 30, 2021	$31.9 million
June 30, 2022	$32.3 million
Spring Semester 2023*	$32.4 million

*At the time the Program is expected to have depleted the assets.

This estimate does not include any margin for future adverse experience.

Annual Appropriations
In lieu of a lump sum appropriation, the State may opt for annual appropriations equal to the "pay as you go" costs of Program benefits and expenses. These appropriations would start with the spring semester 2023 payments, when the Program is expected to deplete the assets. These costs are expected to be approximately: $3.2 million in the year ending June 30, 2023; $8.9 million in the year ending June 30, 2024; and then decreasing amounts until 2049 when all of the Program benefits and expense are expected to have been paid. The total amount of required appropriations on this basis is expected to be $33.6 million. Please see Exhibit 5 for a projection of these annual amounts.

Shutdown Options

If the Program is shut down and refunds are paid (based on a return of premiums at 4% interest to all contracts with unused semesters still in force), the expected amount of the total refund payments and the appropriation required to cover the projected shortfall for different shutdown dates are:

Shutdown Date	Amount of Refunds	Required Appropriation
June 30, 2020	$53.3 million	$22.8 million
June 30, 2021	$45.3 million	$26.4 million
June 30, 2022	$37.0 million	$29.6 million
Spring of 2023*	$31.0 million	$31.0 million

*At the time the Program is expected to have depleted the assets.

C. Program Experience

"Experience" encompasses the performance of the Program during the year, including investment performance, along with the effects of changes in the discount rate yield curve, tuition, expenses, and the Program's contract data.

The Program experience during the year is quantified through changes in the actuarial reserve / (deficit). The year-to-year changes in the reserve are detailed in Exhibit 4 of the report. The actuarial deficit decreased by $5.4 million during the year. As noted in Exhibit 4, four of the factors that had significant impacts to the reserve level over the past year were:

- $2.7 million decrease to the deficit due to reflection of new assumptions from experience study
- $2.4 million decrease to the deficit due to lower than assumed tuition increases for fall 2020
- $2.4 million increase to the deficit due to a decrease in discount rates from a year ago
- $1.6 million decrease to the deficit due to higher actual investment returns than assumed a year ago

D. Changes in Actuarial Assumptions and Methods

The actuarial assumptions and methods used in this valuation are different than those used in the valuation conducted as of June 30, 2019 and are summarized below, with more details in Appendix A:

- Discount rate yield curve updated to reflect changes in capital market conditions between valuation dates.
- Assumption for pre-matriculation voluntary cancellations was updated based on recent experience.
- Assumption for the number of tuition units redeemed each year was updated based on recent experience.
- Assumption for the proportion of contracts that will cancel each year was updated based on recent experience.
- Assumption for the average tuition benefit amount paid per unit as a percentage of weighted average tuition (the "bias load") was updated based on recent experience.

Please see Appendix C for a more detailed summary of this valuation's actuarial assumptions and methods.

E. Changes in Program Provisions

There have been no changes in Program provisions that affect actuarial calculations since the prior valuation. Please see Appendix D for a summary of principal Program provisions.

Exhibits

Exhibit 1

Market Value of Assets

The fair market value of assets as of June 30, 2019 and June 30, 2020 is shown below, and was provided by Columbia Threadneedle Investments.

		June 30, 2019	June 30, 2020
1.	Immunized fixed income including accrued income	$40,397,525	$29,950,928
2.	Cash and cash equivalents	$364,183	$641,166
3.	Total market value of investments	$40,761,708	$30,592,094

Exhibit 2

Change in Market Value of Assets

The change in the market value of assets from June 30, 2019 to June 30, 2020 is shown below, and was provided by Columbia Threadneedle Investments. The estimated net rate of return earned on the investments for the year ending June 30, 2020 was 7.33%.

1.	Market value of assets as of June 30, 2019	$40,761,708
2.	Contract premium payments	350,246
3.	Tuition and refund benefits paid	(12,657,716)
4.	Program management expenses	(162,860)
5.	Investment performance	
	a. Interest income	850,726
	b. Realized gains / (losses)	610,447
	c. Unrealized gains / (losses)	842,073
	d. Total net investment performance	2,303,246
6.	Net increase / (decrease) in market value of assets [(2) + (3) + (4) + (5d)]	(10,167,084)
7.	Change in accrued management expenses	(2,530)
8.	Market value of assets as of June 30, 2020 [(1) + (6) + (7)]	$30,592,094

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Exhibit 3

Actuarial Reserve as of June 30, 2020

The actuarial reserve is the amount, stated in present value terms, by which the expected value of Program assets (resources) exceeds the expected value of Program liabilities, including expenses (obligations). The calculation is done as of a single point in time, using a single set of actuarial assumptions and methods.

1.	Assets at fair market value as of June 30, 2020	$30,592,094
2.	Present value of expected future premium contributions	350,123
3.	Total projected program assets [(1) + (2)]	$30,942,217
4.	Present value of projected future benefits and expenses	$62,481,134
5.	Accrued program management fees	7,652
6.	Total projected program obligations [(4) + (5)]	$62,488,786
7.	Actuarial reserve/(deficit) as of June 30, 2020 [(3) - (6)]	($31,546,569)
8.	Actuarial reserve/(deficit) as a percentage of total projected program obligations [(7) ÷ (6)]	(50.5%)
9.	Funded ratio: Assets / Obligations [(3) / (6)]	49.5%

Exhibit 4

Change in Actuarial Reserve from June 30, 2019 to June 30, 2020

A number of factors contributed to the year-to-year change in the actuarial reserve, as quantified below.

	$Millions
1. Actuarial reserve/(deficit) as of June 30, 2019	($36.9)
Increase/(decrease) in reserve from June 30, 2019 to June 30, 2020 due to:	
2. Interest on the deficit at 2.37%	(0.9)
3. Decrease in the discount rate	(2.4)
4. Higher return on investments than assumed	1.6
5. Lower actual 2020-2021 tuition than assumed	2.4
6. Lower administrative expenses than assumed	0.2
7. Assumption changes from experience study	2.7
8. Actual contract usage/cancellation behavior* and all other sources	1.8
9. Total increase/(decrease) in actuarial adequacy reserve during the year	5.4
10. Actuarial reserve/(deficit) as of June 30, 2020	($31.5)

*Compared to that assumed in the prior valuation as of June 30, 2019

Exhibit 5

Projected Cash Flows under the Valuation Assumptions ($Millions)

The projection assumes that Program assets earn a return of 1.12% every year. The amounts shown in the annual shortfall column are the projected "pay as you go" costs for the Program once the investments are depleted.

Year Ending June 30:	Beginning Market Value of Investments/ (Cumulative Shortfall)	Expected Contract Premiums	Expected Tuition Payments	Expected Refund Payments	Expected Program Expenses	Expected Investment Earnings	Annual (Shortfall)	Ending Market Value of Investments/ (Cumulative Shortfall)
2021	$30.59	$0.17	($11.15)	($0.65)	($0.34)	$0.25	$0.00	$18.87
2022	18.87	0.10	(10.67)	(0.71)	(0.34)	0.13	0.00	7.38
2023	7.38	0.05	(9.34)	(0.94)	(0.34)	0.02	(3.17)	(3.17)
2024	(3.17)	0.01	(7.79)	(0.77)	(0.34)	0.00	(8.89)	(12.06)
2025	(12.06)	0.00	(4.92)	(0.87)	(0.34)	0.00	(6.13)	(18.19)
2026	(18.19)	0.00	(2.87)	(1.01)	(0.34)	0.00	(4.22)	(22.41)
2027	(22.41)	0.00	(1.65)	(1.00)	(0.34)	0.00	(2.99)	(25.40)
2028	(25.40)	0.00	(0.71)	(0.89)	(0.34)	0.00	(1.94)	(27.34)
2029	(27.34)	0.00	(0.37)	(1.09)	(0.34)	0.00	(1.80)	(29.14)
2030	(29.14)	0.00	(0.18)	(0.82)	(0.34)	0.00	(1.34)	(30.48)
2031	(30.48)	0.00	(0.08)	(0.10)	0.00	0.00	(0.18)	(30.66)
2032	(30.66)	0.00	(0.07)	(0.10)	0.00	0.00	(0.17)	(30.83)
2033	(30.83)	0.00	(0.05)	(0.72)	0.00	0.00	(0.77)	(31.60)
2034	(31.60)	0.00	(0.03)	(0.79)	0.00	0.00	(0.82)	(32.42)
2035	(32.42)	0.00	(0.03)	(0.56)	0.00	0.00	(0.59)	(33.01)
2036	(33.01)	0.00	(0.02)	(0.41)	0.00	0.00	(0.43)	(33.44)
2037	(33.44)	0.00	(0.02)	(0.02)	0.00	0.00	(0.04)	(33.48)
2038	(33.48)	0.00	(0.02)	(0.01)	0.00	0.00	(0.03)	(33.51)
2039	(33.51)	0.00	(0.02)	(0.01)	0.00	0.00	(0.03)	(33.54)
2040	(33.54)	0.00	(0.02)	0.00	0.00	0.00	(0.02)	(33.56)
2041	(33.56)	0.00	(0.01)	(0.01)	0.00	0.00	(0.02)	(33.58)
2042	(33.58)	0.00	0.00	0.00	0.00	0.00	0.00	(33.58)
2043	(33.58)	0.00	0.00	0.00	0.00	0.00	0.00	(33.58)
2044	(33.58)	0.00	0.00	0.00	0.00	0.00	0.00	(33.58)
2045	(33.58)	0.00	0.00	0.00	0.00	0.00	0.00	(33.58)
2046	(33.58)	0.00	0.00	0.00	0.00	0.00	0.00	(33.58)
2047	(33.58)	0.00	0.00	0.00	0.00	0.00	0.00	(33.58)
2048	(33.58)	0.00	0.00	0.00	0.00	0.00	0.00	(33.58)
2049	(33.58)	0.00	0.00	0.00	0.00	0.00	0.00	(33.58)

Certification

Caveats and Limitations of Use

The actuarial valuation of the South Carolina Tuition Prepayment Program as of June 30, 2020 has been completed in accordance with our understanding of Program provisions using assumptions and methods as described in this report. It also has been completed in accordance with our understanding of any applicable guidance or interpretations provided by the State Treasurer's office, InTuition Solutions, Inc., and Columbia Threadneedle Investments. The valuation results contained in this report are based on the actuarial assumptions and methods (Appendix C), principal Program provisions (Appendix D), and contract data (Appendix B) summarized in the appendices.

Purpose of the Valuation

The actuarial reserve portion of the actuarial valuation assesses, as of a single point in time, the estimated sufficiency of Program resources (assets currently held and estimated future premium contributions for contracts currently in force) to satisfy Program obligations (estimated future Program benefit payments and management expenses).

Assumptions and Methods

All liabilities shown in this report have been determined on the basis of actuarial assumptions and methods set forth in Appendix A. The assumptions and methods used in this valuation have been updated since the prior year based on an experience study completed by Milliman in 2020.

Limited Use

We believe the assumptions and methods used in this report for purposes of calculating the actuarial reserve are reasonable for the purposes of the measurements. The results of this report are dependent upon future experience conforming to the assumptions disclosed in this report. Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: Program experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in Program provisions and/or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. Determinations for purposes other than meeting those requirements referenced above may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Reliance

In preparing our report we relied, without audit, on information (some oral and some written) supplied by InTuition Solutions, Inc., the Office of the State Treasurer, and Columbia Threadneedle Investments. This information includes, but is not limited to, statutory provisions, contract data, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

This actuarial valuation was prepared and completed by us and those under our direct supervision, and we acknowledge responsibility for the results. To the best of our knowledge, the results are complete and accurate. In our professional opinion, the techniques and assumptions used are reasonable. To the best of our knowledge, there is no benefit provision or related expense to be provided by the Program and/or paid from the Program's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation, and there were no known events that were not taken into account in the valuation.

Milliman's work product was prepared exclusively for the internal business use of the Program, for a specific and limited purpose. It is a complex technical analysis that assumes a high level of knowledge concerning the

Program's operations, and uses Program data which Milliman has not audited. To the extent that Milliman's work is not subject to disclosure under applicable public record laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

(a) The Program may provide a copy of Milliman's work, in its entirety, to the Program's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Program.

(b) The Program may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the Program sponsor. We are not aware of any relationship that would impair the objectivity of our work.

Certification

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with Actuarial Standards of Practice, the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

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Appendices

Appendix A – 2020-2021 Weighted Average Tuition

An enrollment weighted average of tuition and mandatory fees is used as the basis for projecting the actuarial cost of future tuition benefits under the Program and as the basis for certain Program payouts to independent and out-of-state institutions. The tuition and mandatory fee amounts were provided by InTuition Solutions, Inc. and reviewed by the Office of the State Treasurer. The enrollment counts were provided by the Office of the State Treasurer based on data from the South Carolina Commission on Higher Education.

Institutions	2020-21 Tuition and Fees	Enrollment Fall 2017	Enrollment Fall 2018	Enrollment Fall 2019	Three-Year Average Enrollment	Percent of Total Enrollment	Weighted Average Tuition
The Citadel	$14,128	3,139	3,238	3,200	3,192	3.48%	492
Clemson University	15,120	19,503	19,743	20,263	19,836	21.62%	3,269
Coastal Carolina University	11,640	9,721	9,566	9,531	9,606	10.47%	1,219
College of Charleston	12,978	9,420	9,457	9,163	9,347	10.19%	1,322
Francis Marion University	11,160	3,085	2,642	3,114	2,947	3.21%	358
Francis Marion Nursing	17,338	236	203	190	210	0.23%	40
Lander University	11,700	2,727	2,847	3,052	2,875	3.13%	366
S.C. State University	11,060	2,369	2,314	2,079	2,254	2.46%	272
U.S.C. - Aiken	10,930	2,925	2,897	2,797	2,873	3.13%	342
U.S.C. - Beafort	11,080	1,922	1,945	1,929	1,932	2.11%	234
U.S.C. - Columbia	12,848	26,146	26,577	27,313	26,679	29.07%	3,735
U.S.C. - Upstate	11,908	5,010	5,200	5,040	5,083	5.54%	660
Winthrop University	15,836	4,737	4,599	4,524	4,620	5.03%	797
Med. Univ. of S.C. - Nursing	25,233	294	309	307	304	0.33%	83
		91,234	91,537	92,502	91,758	100.00%	$13,189

History of Weighted Average Tuition

Academic Year	Weighted Average Tuition (WAT)	Percentage Increase from Previous Year	Academic Year	Weighted Average Tuition (WAT)	Percentage Increase from Previous Year
2002-2003	$5,057		2012-2013	$10,716	2.9%
2003-2004	5,891	16.5%	2013-2014	11,082	3.4%
2004-2005	6,679	13.4%	2014-2015	11,470	3.5%
2005-2006	7,458	11.7%	2015-2016	11,845	3.3%
2006-2007	7,954	6.7%	2016-2017	12,269	3.6%
2007-2008	8,418	5.8%	2017-2018	12,731	3.8%
2008-2009	9,029	7.3%	2018-2019	13,077	2.7%
2009-2010	9,519	5.4%	2019-2020	13,143	0.5%
2010-2011	10,204	7.2%	2020-2021	13,189	0.3%
2011-2012	10,412	2.0%			

Annualized Increase in Weighted Average Tuition:	
Over last 5 years	2.2%
Over last 10 years	2.6%
Over last 15 years	3.9%
Over last 18 years	5.5%

Appendix B - Contract Data

Contracts in Force as of June 30, 2020

The table below shows the number of contracts with at least one semester of tuition still in force as of June 30, 2020 by the year of enrollment in the Program and by the projected matriculation year. There are 1,726 contracts with at least one semester still in force. There are an additional 648 contracts with a fraction of one semester of tuition still in force. A total of 2,374 contracts have tuition benefits still in force and were included in the actuarial valuation.

Projected Matriculation Year	Year of Enrollment in Program 1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2006	Total
2007	-	-	-	-	1	-	-	-	1
2008	5	9	3	-	6	2	-	-	25
2009	6	5	3	2	6	4	2	1	29
2010	12	14	12	6	4	4	3	2	57
2011	11	7	6	2	9	3	2	3	43
2012	5	8	7	7	5	7	4	1	44
2013	11	10	5	10	11	7	2	1	57
2014	14	16	13	9	7	3	6	1	69
2015	15	13	14	10	12	5	10	1	80
2016	20	28	13	11	25	16	13	5	131
2017	12	39	46	27	49	18	26	6	223
2018	2	34	62	46	60	26	25	9	264
2019	1	3	37	38	44	31	32	9	195
2020	3	-	2	21	57	30	31	11	155
2021	1	-	1	2	62	40	39	18	163
2022	-	3	2	-	1	54	33	13	106
2023	-	-	1	-	-	-	37	29	67
2024	2	-	2	-	-	-	1	-	5
2025	1	-	-	1	1	-	-	-	3
2026	1	-	-	1	-	-	1	-	3
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	1	-	-	1	-	2
2029	-	-	-	-	1	-	-	-	1
2030	-	-	1	-	-	-	-	-	1
2031	-	-	-	-	-	-	-	-	-
2032	-	1	-	-	-	-	-	-	1
2033	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	1	-	-	-	-	-	-	-	1
Total	123	190	230	194	361	250	268	110	1,726

Semesters in Force as of June 30, 2020

The table below shows the number of semesters of tuition still in force by the year of enrollment in the Program and by the projected matriculation year for the 1,726 contracts with at least one semester of tuition still in force. The 648 contracts with a fraction of one semester of tuition still in force have a total of 70 semesters.

Projected Matriculation Year	Year of Enrollment in Program								
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2006	Total
2007	-	-	-	-	8	-	-	-	8
2008	12	26	11	-	15	4	-	-	68
2009	22	15	9	4	14	9	9	2	84
2010	36	43	52	17	14	6	10	12	190
2011	46	22	35	2	18	4	9	6	142
2012	28	31	28	28	13	31	17	1	177
2013	48	48	19	59	39	29	8	7	257
2014	56	62	53	43	42	11	28	8	303
2015	74	78	55	40	36	19	36	8	346
2016	70	104	41	47	97	68	60	16	503
2017	28	136	174	110	157	57	70	23	755
2018	7	155	298	229	312	136	122	39	1,298
2019	6	20	245	238	282	192	198	63	1,244
2020	24	-	16	164	440	220	236	72	1,172
2021	8	-	8	16	468	308	300	128	1,236
2022	-	24	16	-	8	432	248	100	828
2023	-	-	8	-	-	-	280	184	472
2024	16	-	8	-	-	-	8	-	32
2025	8	-	-	8	8	-	-	-	24
2026	8	-	-	8	-	-	8	-	24
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	8	-	-	8	-	16
2029	-	-	-	-	4	-	-	-	4
2030	-	-	4	-	-	-	-	-	4
2031	-	-	-	-	-	-	-	-	-
2032	-	8	-	-	-	-	-	-	8
2033	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	8	-	-	-	-	-	-	-	8
Total	505	772	1,080	1,021	1,975	1,526	1,655	669	9,203

Appendix C – Actuarial Assumptions and Methods

Economic Assumptions: Discount Rate

The discount rate used to calculate the present values of benefits under the program is determined by discounting the projected benefit payments using the FTSE Pension Discount Curve for June 30, 2020. This curve consists of a set of yields on hypothetical AA-rated zero coupon bonds with maturities ranging from 6 months up to 30 years. The single equivalent discount rate that produces the same total present value of benefits as the curve is the discount rate for the actuarial valuation.

The rate for this year's valuation is 1.12%. This rate has not been reduced to reflect investment management fees. The rate used for last year's valuation was 2.37%.

Economic Assumptions: Tuition Growth Rate

Tuition is assumed to increase at 5.50% per year. This is the same assumption as used for last year's actuarial valuation. This assumption was developed by the prior actuary.

Economic Assumptions: Bias Load

It is assumed that the average payout per semester for tuition benefits will be 100% of weighted average tuition. This is lower than the 103% assumption used for last year's actuarial valuation. This new assumption was based on the experience study performed by Milliman in 2020.

Economic Assumptions: Program Expenses

It is assumed that total Program expenses, including investment management fees, will be $340,000 per year for each of the next 10 years (this was 11 last year). This assumption was set by the Office of the State Treasurer.

Demographic Assumptions: Pre-Matriculation Voluntary Termination of Contract

It is assumed that contract holders will voluntarily terminate their contracts prior to the projected year of matriculation at the following rates:

Contract Type		
Lump Sum	48-Month	Extended
0.5% per year	0.5% per year	1.5% per year

The termination assumptions are different than those used in the prior valuation and are based on an experience study completed by Milliman in 2020.

Demographic Assumptions: Utilization of Benefits

For contracts with projected matriculation dates starting in the fall of the current year or earlier, it is assumed that 85% of them will redeem their contracts for tuition according to the following schedule:

Number of Semesters Redeemed in Year							
Contract Type	**Matric Year**	**Matric Year +1**	**Matric Year +2**	**Matric Year +3**	**Matric Year +4**	**Matric Year +5**	**Matric Year +6**
8 Semesters	1.80	1.80	1.80	1.80	0.40	0.24	0.16
4 Semesters	1.20	1.20	0.80	0.60	0.20	-	-

It is assumed that 15% of the contracts with projected matriculation dates starting in the fall of the current year or later will forego redeeming their contracts for tuition and will voluntarily terminate their contracts at the rate of 4% per year from the projected year of matriculation through age 29 and then 100% at age 30.

Contracts that have redeemed benefits for tuition in at least one of the previous two years are assumed to redeem their remaining semesters at the rate of 1.8 semesters each year.

Contracts that are past their scheduled matriculation date and have not redeemed benefits for tuition in at least one of the previous two years are assumed to forego redeeming their remaining benefits and voluntarily terminate their contracts at the rate of 4% per year through age 29 and then 100% at age 30.

Appendix D – Principal Plan Provisions

The Program opened in 1998 and sold two and four-year prepaid tuition contracts. The contracts provide for the payment of tuition and mandatory fees at public higher education institutions in South Carolina. The Program halted sales in 2006 and closed it to new enrollment in 2008.

Contracts that are terminated voluntarily receive a refund of premium payments with 2% annual interest on unused semesters.