

# SB1775



**94TH GENERAL ASSEMBLY**  
**State of Illinois**  
**2005 and 2006**  
**SB1775**

Introduced 2/25/2005, by Sen. Dan Rutherford - Frank C. Watson

**SYNOPSIS AS INTRODUCED:**

15 ILCS 505/16.5

Amends the State Treasurer Act. Makes a technical change in a Section concerning a college savings pool.

LRB094 03581 RCE 33585 b

A BILL FOR

1 AN ACT concerning State government.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The State Treasurer Act is amended by changing  
5 Section 16.5 as follows:

6 (15 ILCS 505/16.5)

7 Sec. 16.5. College Savings Pool. The State Treasurer may  
8 establish and administer a College Savings Pool to supplement  
9 and enhance the ~~the~~ investment opportunities otherwise  
10 available to persons seeking to finance the costs of higher  
11 education. The State Treasurer, in administering the College  
12 Savings Pool, may receive moneys paid into the pool by a  
13 participant and may serve as the fiscal agent of that  
14 participant for the purpose of holding and investing those  
15 moneys.

16 "Participant", as used in this Section, means any person  
17 who makes investments in the pool. "Designated beneficiary", as  
18 used in this Section, means any person on whose behalf an  
19 account is established in the College Savings Pool by a  
20 participant. Both in-state and out-of-state persons may be  
21 participants and designated beneficiaries in the College  
22 Savings Pool.

23 New accounts in the College Savings Pool shall be processed  
24 through participating financial institutions. "Participating  
25 financial institution", as used in this Section, means any  
26 financial institution insured by the Federal Deposit Insurance  
27 Corporation and lawfully doing business in the State of  
28 Illinois and any credit union approved by the State Treasurer  
29 and lawfully doing business in the State of Illinois that  
30 agrees to process new accounts in the College Savings Pool.  
31 Participating financial institutions may charge a processing  
32 fee to participants to open an account in the pool that shall

1 not exceed \$30 until the year 2001. Beginning in 2001 and every  
2 year thereafter, the maximum fee limit shall be adjusted by the  
3 Treasurer based on the Consumer Price Index for the North  
4 Central Region as published by the United States Department of  
5 Labor, Bureau of Labor Statistics for the immediately preceding  
6 calendar year. Every contribution received by a financial  
7 institution for investment in the College Savings Pool shall be  
8 transferred from the financial institution to a location  
9 selected by the State Treasurer within one business day  
10 following the day that the funds must be made available in  
11 accordance with federal law. All communications from the State  
12 Treasurer to participants shall reference the participating  
13 financial institution at which the account was processed.

14 The Treasurer may invest the moneys in the College Savings  
15 Pool in the same manner, in the same types of investments, and  
16 subject to the same limitations provided for the investment of  
17 moneys by the Illinois State Board of Investment. To enhance  
18 the safety and liquidity of the College Savings Pool, to ensure  
19 the diversification of the investment portfolio of the pool,  
20 and in an effort to keep investment dollars in the State of  
21 Illinois, the State Treasurer shall make a percentage of each  
22 account available for investment in participating financial  
23 institutions doing business in the State. The State Treasurer  
24 shall deposit with the participating financial institution at  
25 which the account was processed the following percentage of  
26 each account at a prevailing rate offered by the institution,  
27 provided that the deposit is federally insured or fully  
28 collateralized and the institution accepts the deposit: 10% of  
29 the total amount of each account for which the current age of  
30 the beneficiary is less than 7 years of age, 20% of the total  
31 amount of each account for which the beneficiary is at least 7  
32 years of age and less than 12 years of age, and 50% of the total  
33 amount of each account for which the current age of the  
34 beneficiary is at least 12 years of age. The State Treasurer  
35 shall adjust each account at least annually to ensure  
36 compliance with this Section. The Treasurer shall develop,

1 publish, and implement an investment policy covering the  
2 investment of the moneys in the College Savings Pool. The  
3 policy shall be published (i) at least once each year in at  
4 least one newspaper of general circulation in both Springfield  
5 and Chicago and (ii) each year as part of the audit of the  
6 College Savings Pool by the Auditor General, which shall be  
7 distributed to all participants. The Treasurer shall notify all  
8 participants in writing, and the Treasurer shall publish in a  
9 newspaper of general circulation in both Chicago and  
10 Springfield, any changes to the previously published  
11 investment policy at least 30 calendar days before implementing  
12 the policy. Any investment policy adopted by the Treasurer  
13 shall be reviewed and updated if necessary within 90 days  
14 following the date that the State Treasurer takes office.

15 Participants shall be required to use moneys distributed  
16 from the College Savings Pool for qualified expenses at  
17 eligible educational institutions. "Qualified expenses", as  
18 used in this Section, means the following: (i) tuition, fees,  
19 and the costs of books, supplies, and equipment required for  
20 enrollment or attendance at an eligible educational  
21 institution and (ii) certain room and board expenses incurred  
22 while attending an eligible educational institution at least  
23 half-time. "Eligible educational institutions", as used in  
24 this Section, means public and private colleges, junior  
25 colleges, graduate schools, and certain vocational  
26 institutions that are described in Section 481 of the Higher  
27 Education Act of 1965 (20 U.S.C. 1088) and that are eligible to  
28 participate in Department of Education student aid programs. A  
29 student shall be considered to be enrolled at least half-time  
30 if the student is enrolled for at least half the full-time  
31 academic work load for the course of study the student is  
32 pursuing as determined under the standards of the institution  
33 at which the student is enrolled. Distributions made from the  
34 pool for qualified expenses shall be made directly to the  
35 eligible educational institution, directly to a vendor, or in  
36 the form of a check payable to both the beneficiary and the

1 institution or vendor. Any moneys that are distributed in any  
2 other manner or that are used for expenses other than qualified  
3 expenses at an eligible educational institution shall be  
4 subject to a penalty of 10% of the earnings unless the  
5 beneficiary dies, becomes disabled, or receives a scholarship  
6 that equals or exceeds the distribution. Penalties shall be  
7 withheld at the time the distribution is made.

8 The Treasurer shall limit the contributions that may be  
9 made on behalf of a designated beneficiary based on an  
10 actuarial estimate of what is required to pay tuition, fees,  
11 and room and board for 5 undergraduate years at the highest  
12 cost eligible educational institution. The contributions made  
13 on behalf of a beneficiary who is also a beneficiary under the  
14 Illinois Prepaid Tuition Program shall be further restricted to  
15 ensure that the contributions in both programs combined do not  
16 exceed the limit established for the College Savings Pool. The  
17 Treasurer shall provide the Illinois Student Assistance  
18 Commission each year at a time designated by the Commission, an  
19 electronic report of all participant accounts in the  
20 Treasurer's College Savings Pool, listing total contributions  
21 and disbursements from each individual account during the  
22 previous calendar year. As soon thereafter as is possible  
23 following receipt of the Treasurer's report, the Illinois  
24 Student Assistance Commission shall, in turn, provide the  
25 Treasurer with an electronic report listing those College  
26 Savings Pool participants who also participate in the State's  
27 prepaid tuition program, administered by the Commission. The  
28 Commission shall be responsible for filing any combined tax  
29 reports regarding State qualified savings programs required by  
30 the United States Internal Revenue Service. The Treasurer shall  
31 work with the Illinois Student Assistance Commission to  
32 coordinate the marketing of the College Savings Pool and the  
33 Illinois Prepaid Tuition Program when considered beneficial by  
34 the Treasurer and the Director of the Illinois Student  
35 Assistance Commission. The Treasurer's office shall not  
36 publicize or otherwise market the College Savings Pool or

1 accept any moneys into the College Savings Pool prior to March  
2 1, 2000. The Treasurer shall provide a separate accounting for  
3 each designated beneficiary to each participant, the Illinois  
4 Student Assistance Commission, and the participating financial  
5 institution at which the account was processed. No interest in  
6 the program may be pledged as security for a loan.

7 The assets of the College Savings Pool and its income and  
8 operation shall be exempt from all taxation by the State of  
9 Illinois and any of its subdivisions. The accrued earnings on  
10 investments in the Pool once disbursed on behalf of a  
11 designated beneficiary shall be similarly exempt from all  
12 taxation by the State of Illinois and its subdivisions, so long  
13 as they are used for qualified expenses. Contributions to a  
14 College Savings Pool account during the taxable year may be  
15 deducted from adjusted gross income as provided in Section 203  
16 of the Illinois Income Tax Act. The provisions of this  
17 paragraph are exempt from Section 250 of the Illinois Income  
18 Tax Act.

19 The Treasurer shall adopt rules he or she considers  
20 necessary for the efficient administration of the College  
21 Savings Pool. The rules shall provide whatever additional  
22 parameters and restrictions are necessary to ensure that the  
23 College Savings Pool meets all of the requirements for a  
24 qualified state tuition program under Section 529 of the  
25 Internal Revenue Code (26 U.S.C. 529). The rules shall provide  
26 for the administration expenses of the pool to be paid from its  
27 earnings and for the investment earnings in excess of the  
28 expenses and all moneys collected as penalties to be credited  
29 or paid monthly to the several participants in the pool in a  
30 manner which equitably reflects the differing amounts of their  
31 respective investments in the pool and the differing periods of  
32 time for which those amounts were in the custody of the pool.  
33 Also, the rules shall require the maintenance of records that  
34 enable the Treasurer's office to produce a report for each  
35 account in the pool at least annually that documents the  
36 account balance and investment earnings. Notice of any proposed

1 amendments to the rules and regulations shall be provided to  
2 all participants prior to adoption. Amendments to rules and  
3 regulations shall apply only to contributions made after the  
4 adoption of the amendment.

5       Upon creating the College Savings Pool, the State Treasurer  
6 shall give bond with 2 or more sufficient sureties, payable to  
7 and for the benefit of the participants in the College Savings  
8 Pool, in the penal sum of \$1,000,000, conditioned upon the  
9 faithful discharge of his or her duties in relation to the  
10 College Savings Pool.

11 (Source: P.A. 92-16, eff. 6-28-01; 92-439, eff. 8-17-01;  
12 92-626, eff. 7-11-02; 93-812, eff. 1-1-05.)