

**SB2260**



**96TH GENERAL ASSEMBLY**

**State of Illinois**

**2009 and 2010**

**SB2260**

Introduced 2/20/2009, by Sen. Christine Radogno

**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.

LRB096 11531 JAM 22012 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 ~~The~~ State Treasurer  
8 may establish and administer a College Savings Pool to  
9 supplement and enhance 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 has authority to withdraw funds, change the designated  
18 beneficiary, or otherwise exercise control over an account.

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

1 and designated beneficiaries in the College Savings Pool.

2 New accounts in the College Savings Pool may be processed  
3 through participating financial institutions. "Participating  
4 financial institution", as used in this Section, means any  
5 financial institution insured by the Federal Deposit Insurance  
6 Corporation and lawfully doing business in the State of  
7 Illinois and any credit union approved by the State Treasurer  
8 and lawfully doing business in the State of Illinois that  
9 agrees to process new accounts in the College Savings Pool.  
10 Participating financial institutions may charge a processing  
11 fee to participants to open an account in the pool that shall  
12 not exceed \$30 until the year 2001. Beginning in 2001 and every  
13 year thereafter, the maximum fee limit shall be adjusted by the  
14 Treasurer based on the Consumer Price Index for the North  
15 Central Region as published by the United States Department of  
16 Labor, Bureau of Labor Statistics for the immediately preceding  
17 calendar year. Every contribution received by a financial  
18 institution for investment in the College Savings Pool shall be  
19 transferred from the financial institution to a location  
20 selected by the State Treasurer within one business day  
21 following the day that the funds must be made available in  
22 accordance with federal law. All communications from the State  
23 Treasurer to participants and donors shall reference the  
24 participating financial institution at which the account was  
25 processed.

26 The Treasurer may invest the moneys in the College Savings

1 Pool in the same manner and in the same types of investments  
2 provided for the investment of moneys by the Illinois State  
3 Board of Investment. To enhance the safety and liquidity of the  
4 College Savings Pool, to ensure the diversification of the  
5 investment portfolio of the pool, and in an effort to keep  
6 investment dollars in the State of Illinois, the State  
7 Treasurer may make a percentage of each account available for  
8 investment in participating financial institutions doing  
9 business in the State. The State Treasurer may deposit with the  
10 participating financial institution at which the account was  
11 processed the following percentage of each account at a  
12 prevailing rate offered by the institution, provided that the  
13 deposit is federally insured or fully collateralized and the  
14 institution accepts the deposit: 10% of the total amount of  
15 each account for which the current age of the beneficiary is  
16 less than 7 years of age, 20% of the total amount of each  
17 account for which the beneficiary is at least 7 years of age  
18 and less than 12 years of age, and 50% of the total amount of  
19 each account for which the current age of the beneficiary is at  
20 least 12 years of age. The Treasurer shall develop, publish,  
21 and implement an investment policy covering the investment of  
22 the moneys in the College Savings Pool. The policy shall be  
23 published (i) at least once each year in at least one newspaper  
24 of general circulation in both Springfield and Chicago and (ii)  
25 each year as part of the audit of the College Savings Pool by  
26 the Auditor General, which shall be distributed to all

1 participants. The Treasurer shall notify all participants in  
2 writing, and the Treasurer shall publish in a newspaper of  
3 general circulation in both Chicago and Springfield, any  
4 changes to the previously published investment policy at least  
5 30 calendar days before implementing the policy. Any investment  
6 policy adopted by the Treasurer shall be reviewed and updated  
7 if necessary within 90 days following the date that the State  
8 Treasurer takes office.

9 Participants shall be required to use moneys distributed  
10 from the College Savings Pool for qualified expenses at  
11 eligible educational institutions. "Qualified expenses", as  
12 used in this Section, means the following: (i) tuition, fees,  
13 and the costs of books, supplies, and equipment required for  
14 enrollment or attendance at an eligible educational  
15 institution and (ii) certain room and board expenses incurred  
16 while attending an eligible educational institution at least  
17 half-time. "Eligible educational institutions", as used in  
18 this Section, means public and private colleges, junior  
19 colleges, graduate schools, and certain vocational  
20 institutions that are described in Section 481 of the Higher  
21 Education Act of 1965 (20 U.S.C. 1088) and that are eligible to  
22 participate in Department of Education student aid programs. A  
23 student shall be considered to be enrolled at least half-time  
24 if the student is enrolled for at least half the full-time  
25 academic work load for the course of study the student is  
26 pursuing as determined under the standards of the institution

1 at which the student is enrolled. Distributions made from the  
2 pool for qualified expenses shall be made directly to the  
3 eligible educational institution, directly to a vendor, or in  
4 the form of a check payable to both the beneficiary and the  
5 institution or vendor. Any moneys that are distributed in any  
6 other manner or that are used for expenses other than qualified  
7 expenses at an eligible educational institution shall be  
8 subject to a penalty of 10% of the earnings unless the  
9 beneficiary dies, becomes disabled, or receives a scholarship  
10 that equals or exceeds the distribution. Penalties shall be  
11 withheld at the time the distribution is made.

12 The Treasurer shall limit the contributions that may be  
13 made on behalf of a designated beneficiary based on the  
14 limitations established by the Internal Revenue Service. The  
15 contributions made on behalf of a beneficiary who is also a  
16 beneficiary under the Illinois Prepaid Tuition Program shall be  
17 further restricted to ensure that the contributions in both  
18 programs combined do not exceed the limit established for the  
19 College Savings Pool. The Treasurer shall provide the Illinois  
20 Student Assistance Commission each year at a time designated by  
21 the Commission, an electronic report of all participant  
22 accounts in the Treasurer's College Savings Pool, listing total  
23 contributions and disbursements from each individual account  
24 during the previous calendar year. As soon thereafter as is  
25 possible following receipt of the Treasurer's report, the  
26 Illinois Student Assistance Commission shall, in turn, provide

1 the Treasurer with an electronic report listing those College  
2 Savings Pool participants who also participate in the State's  
3 prepaid tuition program, administered by the Commission. The  
4 Commission shall be responsible for filing any combined tax  
5 reports regarding State qualified savings programs required by  
6 the United States Internal Revenue Service. The Treasurer shall  
7 work with the Illinois Student Assistance Commission to  
8 coordinate the marketing of the College Savings Pool and the  
9 Illinois Prepaid Tuition Program when considered beneficial by  
10 the Treasurer and the Director of the Illinois Student  
11 Assistance Commission. The Treasurer's office shall not  
12 publicize or otherwise market the College Savings Pool or  
13 accept any moneys into the College Savings Pool prior to March  
14 1, 2000. The Treasurer shall provide a separate accounting for  
15 each designated beneficiary to each participant, the Illinois  
16 Student Assistance Commission, and the participating financial  
17 institution at which the account was processed. No interest in  
18 the program may be pledged as security for a loan. Moneys held  
19 in an account invested in the Illinois College Savings Pool  
20 shall be exempt from all claims of the creditors of the  
21 participant, donor, or designated beneficiary of that account,  
22 except for the non-exempt College Savings Pool transfers to or  
23 from the account as defined under subsection (j) of Section  
24 12-1001 of the Code of Civil Procedure (735 ILCS 5/12-1001(j)).

25 The assets of the College Savings Pool and its income and  
26 operation shall be exempt from all taxation by the State of

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

11 The Treasurer shall adopt rules he or she considers  
12 necessary for the efficient administration of the College  
13 Savings Pool. The rules shall provide whatever additional  
14 parameters and restrictions are necessary to ensure that the  
15 College Savings Pool meets all of the requirements for a  
16 qualified state tuition program under Section 529 of the  
17 Internal Revenue Code (26 U.S.C. 529). The rules shall provide  
18 for the administration expenses of the pool to be paid from its  
19 earnings and for the investment earnings in excess of the  
20 expenses and all moneys collected as penalties to be credited  
21 or paid monthly to the several participants in the pool in a  
22 manner which equitably reflects the differing amounts of their  
23 respective investments in the pool and the differing periods of  
24 time for which those amounts were in the custody of the pool.  
25 Also, the rules shall require the maintenance of records that  
26 enable the Treasurer's office to produce a report for each



1 account in the pool at least annually that documents the  
2 account balance and investment earnings. Notice of any proposed  
3 amendments to the rules and regulations shall be provided to  
4 all participants prior to adoption. Amendments to rules and  
5 regulations shall apply only to contributions made after the  
6 adoption of the amendment.

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

13       (Source: P.A. 95-23, eff. 8-3-07; 95-306, eff. 1-1-08; 95-521,  
14 eff. 8-28-07; 95-876, eff. 8-21-08.)