

SB1261



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

SB1261

Introduced 2/8/2011, 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.

LRB097 05540 PJG 45601 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.)