



93RD GENERAL ASSEMBLY
State of Illinois
2003 and 2004

Introduced 02/09/04, by Robert S. Molaro

SYNOPSIS AS INTRODUCED:

15 ILCS 505/16.5

Amends the State Treasurer Act. Removes the requirement that the State Treasurer adjust each account at least annually to ensure compliance with the requirements of the College Savings Pool. Provides that the Treasurer shall limit the contributions that may be made on behalf of a designated College Savings Pool beneficiary based on the limitations established by the Internal Revenue Service (now, based on an actuarial estimate of what is required to pay tuition, fees, and room and board for 5 undergraduate years at the highest cost eligible educational institution). Makes other changes. Effective immediately

LRB093 19553 RAS 45293 b

1 AN ACT concerning

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

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

22 New accounts in the College Savings Pool may ~~shall~~ be
23 processed through participating financial institutions.

24 "Participating financial institution", as used in this
25 Section, means any financial institution insured by the Federal
26 Deposit Insurance Corporation and lawfully doing business in
27 the State of Illinois and any credit union approved by the
28 State Treasurer and lawfully doing business in the State of
29 Illinois that agrees to process new accounts in the College
30 Savings Pool. Participating financial institutions may charge
31 a processing fee to participants to open an account in the pool
32 that shall not exceed \$30 until the year 2001. Beginning in

1 2001 and every year thereafter, the maximum fee limit shall be
2 adjusted by the Treasurer based on the Consumer Price Index for
3 the North Central Region as published by the United States
4 Department of Labor, Bureau of Labor Statistics for the
5 immediately preceding calendar year. Every contribution
6 received by a financial institution for investment in the
7 College Savings Pool shall be transferred from the financial
8 institution to a location selected by the State Treasurer
9 within one business day following the day that the funds must
10 be made available in accordance with federal law. All
11 communications from the State Treasurer to participants shall
12 reference the participating financial institution at which the
13 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 may ~~shall~~ make a percentage of
22 each account available for investment in participating
23 financial institutions doing business in the State. The State
24 Treasurer may ~~shall~~ deposit with the participating financial
25 institution at which the account was processed the following
26 percentage of each account at a prevailing rate offered by the
27 institution, provided that the deposit is federally insured or
28 fully collateralized and the institution accepts the deposit:
29 10% of the total amount of each account for which the current
30 age of the beneficiary is less than 7 years of age, 20% of the
31 total amount of each account for which the beneficiary is at
32 least 7 years of age and less than 12 years of age, and 50% of
33 the total amount of each account for which the current age of
34 the beneficiary is at least 12 years of age. ~~The State~~
35 ~~Treasurer 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 the
10 limitations established by the Internal Revenue Service ~~an~~
11 ~~actuarial estimate of what is required to pay tuition, fees,~~
12 ~~and room and board for 5 undergraduate years at the highest~~
13 ~~cost eligible educational institution.~~ The contributions made
14 on behalf of a beneficiary who is also a beneficiary under the
15 Illinois Prepaid Tuition Program shall be further restricted to
16 ensure that the contributions in both programs combined do not
17 exceed the limit established for the College Savings Pool. The
18 Treasurer shall provide the Illinois Student Assistance
19 Commission each year at a time designated by the Commission, an
20 electronic report of all participant accounts in the
21 Treasurer's College Savings Pool, listing total contributions
22 and disbursements from each individual account during the
23 previous calendar year. As soon thereafter as is possible
24 following receipt of the Treasurer's report, the Illinois
25 Student Assistance Commission shall, in turn, provide the
26 Treasurer with an electronic report listing those College
27 Savings Pool participants who also participate in the State's
28 prepaid tuition program, administered by the Commission. The
29 Commission shall be responsible for filing any combined tax
30 reports regarding State qualified savings programs required by
31 the United States Internal Revenue Service. The Treasurer shall
32 work with the Illinois Student Assistance Commission to
33 coordinate the marketing of the College Savings Pool and the
34 Illinois Prepaid Tuition Program when considered beneficial by
35 the Treasurer and the Director of the Illinois Student
36 Assistance Commission. The Treasurer's office shall not

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

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

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

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

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

12 No contributions to the College Savings Pool authorized by
13 this Section shall be considered in evaluating the financial
14 situation of the designated beneficiary or be deemed a
15 financial resource of or a form of financial aid or assistance
16 to the designated beneficiary, for purposes of determining
17 eligibility for any scholarship, grant, or monetary assistance
18 awarded by the Illinois Student Assistance Commission, the
19 State, or any agency thereof; nor shall contributions to the
20 College Savings Pool reduce the amount of any scholarship,
21 grant, or monetary assistance that the designated beneficiary
22 is eligible to be awarded by the Illinois Student Assistance
23 Commission, the State, or any agency thereof in accordance with
24 the provisions of any State law.

25 (Source: P.A. 91-607, eff. 1-1-00; 91-829, eff. 1-1-01; 92-16,
26 eff. 6-28-01; 92-439, eff. 8-17-01; 92-626, eff. 7-11-02.)

27 Section 99. Effective date. This Act takes effect upon
28 becoming law.