

SB2007



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

SB2007

Introduced 2/10/2011, by Sen. Kirk W. Dillard

SYNOPSIS AS INTRODUCED:

15 ILCS 505/16.5

15 ILCS 505/17

from Ch. 130, par. 17

Amends the State Treasurer Act. In provisions concerning the investment policy for the College Savings Pool, adds that the Treasurer may publish the policy and changes to that policy in the online version of at least one newspaper of general circulation in both Springfield and Chicago. In provisions concerning the investment policy for the Public Treasurer's Investment Pool, adds that the Treasurer may publish the policy and changes to that policy in the online version of at least one newspaper of general circulation in both Springfield and Chicago. Effective immediately.

LRB097 09581 RLJ 49718 b

FISCAL NOTE ACT
MAY APPLY

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 Sections 16.5 and 17 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 has authority to withdraw funds, change the designated
17 beneficiary, or otherwise exercise control over an account.

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

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

25 The Treasurer may invest the moneys in the College Savings
26 Pool in the same manner and in the same types of investments

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

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

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

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

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

1 Illinois Student Assistance Commission shall, in turn, provide
2 the Treasurer with an electronic report listing those College
3 Savings Pool participants who also participate in the State's
4 prepaid tuition program, administered by the Commission. The
5 Commission shall be responsible for filing any combined tax
6 reports regarding State qualified savings programs required by
7 the United States Internal Revenue Service. The Treasurer shall
8 work with the Illinois Student Assistance Commission to
9 coordinate the marketing of the College Savings Pool and the
10 Illinois Prepaid Tuition Program when considered beneficial by
11 the Treasurer and the Director of the Illinois Student
12 Assistance Commission. The Treasurer's office shall not
13 publicize or otherwise market the College Savings Pool or
14 accept any moneys into the College Savings Pool prior to March
15 1, 2000. The Treasurer shall provide a separate accounting for
16 each designated beneficiary to each participant, the Illinois
17 Student Assistance Commission, and the participating financial
18 institution at which the account was processed. No interest in
19 the program may be pledged as security for a loan. Moneys held
20 in an account invested in the Illinois College Savings Pool
21 shall be exempt from all claims of the creditors of the
22 participant, donor, or designated beneficiary of that account,
23 except for the non-exempt College Savings Pool transfers to or
24 from the account as defined under subsection (j) of Section
25 12-1001 of the Code of Civil Procedure (735 ILCS 5/12-1001(j)).

26 The assets of the College Savings Pool and its income and

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

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

1 enable the Treasurer's office to produce a report for each
2 account in the pool at least annually that documents the
3 account balance and investment earnings. Notice of any proposed
4 amendments to the rules and regulations shall be provided to
5 all participants prior to adoption. Amendments to rules and
6 regulations shall apply only to contributions made after the
7 adoption of the amendment.

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

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

16 (15 ILCS 505/17) (from Ch. 130, par. 17)

17 Sec. 17. Public Treasurers' Investment Pool. The State
18 Treasurer may establish and administer a Public Treasurers'
19 Investment Pool to supplement and enhance the investment
20 opportunities otherwise available to other custodians of
21 public funds for public agencies in this State.

22 The Treasurer, in administering the Public Treasurers'
23 Investment Pool, may receive public funds paid into the pool by
24 any other custodian of such funds and may serve as the fiscal
25 agent of that custodian of public funds for the purpose of

1 holding and investing those funds.

2 The Treasurer may invest the public funds constituting the
3 Public Treasurers' Investment Pool in the same manner, in the
4 same types of investments and subject to the same limitations
5 provided for the investment of funds in the State Treasury. The
6 Treasurer shall develop, publish, and implement an investment
7 policy covering the management of funds in the Public
8 Treasurers' Investment Pool. The policy shall be published at
9 least once each year in at least one newspaper of general
10 circulation or in the online version of at least one newspaper
11 of general circulation, in both Springfield and Chicago, and
12 each year as part of the audit of the Public Treasurers'
13 Investment Pool by the Auditor General, which shall be
14 distributed to all participants. The Treasurer shall notify all
15 Public Treasurers' Investment Pool participants in writing,
16 and the Treasurer shall publish in at least one newspaper of
17 general circulation or in the online version of at least one
18 newspaper of general circulation, in both Springfield and
19 Chicago, any changes to a previously published investment
20 policy at least 30 calendar days before implementing the
21 policy. Any such investment policy adopted by the Treasurer
22 shall be reviewed, and updated if necessary, within 90 days
23 following the installation of a new Treasurer.

24 The Treasurer shall promulgate such rules and regulations
25 as he deems necessary for the efficient administration of the
26 Public Treasurers' Investment Pool, including specification of

1 minimum amounts which may be deposited in the Pool and minimum
2 periods of time for which deposits shall be retained in the
3 Pool. The rules shall provide for the administration expenses
4 of the Pool to be paid from its earnings and for the interest
5 earnings in excess of such expenses to be credited or paid
6 monthly to the several custodians of public funds participating
7 in the Pool in a manner which equitably reflects the differing
8 amounts of their respective investments in the Pool and the
9 differing periods of time for which such amounts were in the
10 custody of the Pool.

11 Upon creating a Public Treasurers' Investment Pool the
12 State Treasurer shall give bond with 2 or more sufficient
13 sureties, payable to custodians of public funds who participate
14 in the Pool for the benefit of the public agencies whose funds
15 are paid into the Pool for investment, in the penal sum of
16 \$150,000, conditioned for the faithful discharge of his duties
17 in relation to the Public Treasurers' Investment Pool.

18 "Public funds" and "public agency", as used in this Section
19 have the meanings ascribed to them in Section 1 of "An Act
20 relating to certain investments of public funds by public
21 agencies", approved July 23, 1943, as amended.

22 This amendatory Act of 1975 is not a limit on any home rule
23 unit.

24 (Source: P.A. 89-350, eff. 8-17-95.)

25 Section 99. Effective date. This Act takes effect upon
26 becoming law.