



Sen. Dave Sullivan

Filed: 3/15/2005

09400SB1653sam001

LRB094 09118 BDD 43812 a

1 AMENDMENT TO SENATE BILL 1653

2 AMENDMENT NO. _____. Amend Senate Bill 1653 by replacing
3 everything after the enacting clause with the following:

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

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

22 The Treasurer may invest the moneys in the College Savings
23 Pool in the same manner, in the same types of investments, and
24 subject to the same limitations provided for the investment of
25 moneys by the Illinois State Board of Investment. To enhance
26 the safety and liquidity of the College Savings Pool, to ensure
27 the diversification of the investment portfolio of the pool,
28 and in an effort to keep investment dollars in the State of
29 Illinois, the State Treasurer shall make a percentage of each
30 account available for investment in participating financial
31 institutions doing business in the State. The State Treasurer
32 shall deposit with the participating financial institution at
33 which the account was processed the following percentage of
34 each account at a prevailing rate offered by the institution,

1 provided that the deposit is federally insured or fully
2 collateralized and the institution accepts the deposit: 10% of
3 the total amount of each account for which the current age of
4 the beneficiary is less than 7 years of age, 20% of the total
5 amount of each account for which the beneficiary is at least 7
6 years of age and less than 12 years of age, and 50% of the total
7 amount of each account for which the current age of the
8 beneficiary is at least 12 years of age. The State Treasurer
9 shall adjust each account at least annually to ensure
10 compliance with this Section. The Treasurer shall develop,
11 publish, and implement an investment policy covering the
12 investment of the moneys in the College Savings Pool. The
13 policy shall be published (i) at least once each year in at
14 least one newspaper of general circulation in both Springfield
15 and Chicago and (ii) each year as part of the audit of the
16 College Savings Pool by the Auditor General, which shall be
17 distributed to all participants. The Treasurer shall notify all
18 participants in writing, and the Treasurer shall publish in a
19 newspaper of general circulation in both Chicago and
20 Springfield, any changes to the previously published
21 investment policy at least 30 calendar days before implementing
22 the policy. Any investment policy adopted by the Treasurer
23 shall be reviewed and updated if necessary within 90 days
24 following the date that the State Treasurer takes office.

25 Participants shall be required to use moneys distributed
26 from the College Savings Pool for qualified expenses at
27 eligible educational institutions. "Qualified expenses", as
28 used in this Section, means the following: (i) tuition, fees,
29 and the costs of books, supplies, and equipment required for
30 enrollment or attendance at an eligible educational
31 institution and (ii) certain room and board expenses incurred
32 while attending an eligible educational institution at least
33 half-time. "Eligible educational institutions", as used in
34 this Section, means public and private colleges, junior

1 colleges, graduate schools, and certain vocational
2 institutions that are described in Section 481 of the Higher
3 Education Act of 1965 (20 U.S.C. 1088) and that are eligible to
4 participate in Department of Education student aid programs. A
5 student shall be considered to be enrolled at least half-time
6 if the student is enrolled for at least half the full-time
7 academic work load for the course of study the student is
8 pursuing as determined under the standards of the institution
9 at which the student is enrolled. Distributions made from the
10 pool for qualified expenses shall be made directly to the
11 eligible educational institution, directly to a vendor, or in
12 the form of a check payable to both the beneficiary and the
13 institution or vendor. Any moneys that are distributed in any
14 other manner or that are used for expenses other than qualified
15 expenses at an eligible educational institution shall be
16 subject to a penalty of 10% of the earnings unless the
17 beneficiary dies, becomes disabled, or receives a scholarship
18 that equals or exceeds the distribution. Penalties shall be
19 withheld at the time the distribution is made.

20 The Treasurer shall limit the contributions that may be
21 made on behalf of a designated beneficiary based on an
22 actuarial estimate of what is required to pay tuition, fees,
23 and room and board for 5 undergraduate years at the highest
24 cost eligible educational institution. The contributions made
25 on behalf of a beneficiary who is also a beneficiary under the
26 Illinois Prepaid Tuition Program shall be further restricted to
27 ensure that the contributions in both programs combined do not
28 exceed the limit established for the College Savings Pool. The
29 Treasurer shall provide the Illinois Student Assistance
30 Commission each year at a time designated by the Commission, an
31 electronic report of all participant accounts in the
32 Treasurer's College Savings Pool, listing total contributions
33 and disbursements from each individual account during the
34 previous calendar year. As soon thereafter as is possible

1 following receipt of the Treasurer's report, the Illinois
2 Student Assistance Commission shall, in turn, provide the
3 Treasurer with an electronic report listing those College
4 Savings Pool participants who also participate in the State's
5 prepaid tuition program, administered by the Commission. The
6 Commission shall be responsible for filing any combined tax
7 reports regarding State qualified savings programs required by
8 the United States Internal Revenue Service. The Treasurer shall
9 work with the Illinois Student Assistance Commission to
10 coordinate the marketing of the College Savings Pool and the
11 Illinois Prepaid Tuition Program when considered beneficial by
12 the Treasurer and the Director of the Illinois Student
13 Assistance Commission. The Treasurer's office shall not
14 publicize or otherwise market the College Savings Pool or
15 accept any moneys into the College Savings Pool prior to March
16 1, 2000. The Treasurer shall provide a separate accounting for
17 each designated beneficiary to each participant, the Illinois
18 Student Assistance Commission, and the participating financial
19 institution at which the account was processed. No interest in
20 the program may be pledged as security for a loan.

21 The assets of the College Savings Pool and its income and
22 operation shall be exempt from all taxation by the State of
23 Illinois and any of its subdivisions. The accrued earnings on
24 investments in the Pool once disbursed on behalf of a
25 designated beneficiary shall be similarly exempt from all
26 taxation by the State of Illinois and its subdivisions, so long
27 as they are used for qualified expenses. Contributions to a
28 College Savings Pool account during the taxable year may be
29 deducted from adjusted gross income as provided in Section 203
30 of the Illinois Income Tax Act. The provisions of this
31 paragraph are exempt from Section 250 of the Illinois Income
32 Tax Act.

33 The Treasurer shall adopt rules he or she considers
34 necessary for the efficient administration of the College

1 Savings Pool. The rules shall provide whatever additional
2 parameters and restrictions are necessary to ensure that the
3 College Savings Pool meets all of the requirements for a
4 qualified state tuition program under Section 529 of the
5 Internal Revenue Code (26 U.S.C. 529). The rules shall provide
6 for the administration expenses of the pool to be paid from its
7 earnings and for the investment earnings in excess of the
8 expenses and all moneys collected as penalties to be credited
9 or paid monthly to the several participants in the pool in a
10 manner which equitably reflects the differing amounts of their
11 respective investments in the pool and the differing periods of
12 time for which those amounts were in the custody of the pool.
13 Also, the rules shall require the maintenance of records that
14 enable the Treasurer's office to produce a report for each
15 account in the pool at least annually that documents the
16 account balance and investment earnings. Notice of any proposed
17 amendments to the rules and regulations shall be provided to
18 all participants prior to adoption. Amendments to rules and
19 regulations shall apply only to contributions made after the
20 adoption of the amendment.

21 Upon creating the College Savings Pool, the State Treasurer
22 shall give bond with 2 or more sufficient sureties, payable to
23 and for the benefit of the participants in the College Savings
24 Pool, in the penal sum of \$1,000,000, conditioned upon the
25 faithful discharge of his or her duties in relation to the
26 College Savings Pool.

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