



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

HB6340

by Rep. William B. Black

SYNOPSIS AS INTRODUCED:

110 ILCS 979/10
110 ILCS 979/20
110 ILCS 979/30

Amends the Illinois Prepaid Tuition Act. Abolishes the Investment Advisory Panel and creates the Investment Panel. Provides that the Illinois prepaid tuition program's investments shall be administered by the Illinois Student Assistance Commission, subject to approval by the Investment Panel. Sets forth the Panel's membership, qualifications, terms, and duties, including requiring the Panel to annually review and approve provisions of the strategic investment plan for the program and to review and approve the annual report that describes the current financial condition of the program. Provides that neither the Commission nor its Executive Director may at any time authorize investments inconsistent with the strategic investment plan approved by the Panel. Provides that the Commission's annual comprehensive investment plan must be approved independently by the Panel. Requires the Commission to contract with a private corporation or institution to provide services as part of the comprehensive investment plan and as necessary for implementation of the plan (now, nothing precludes the Commission from contracting with a private corporation or institution to provide such services as may be a part of the plan or as may be deemed necessary for implementation of the plan). Requires (instead of permits) the Commission to arrange to compensate for personalized investment advisory services. Effective immediately.

LRB095 20948 NHT 49940 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning education.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Prepaid Tuition Act is amended by
5 changing Sections 10, 20, and 30 as follows:

6 (110 ILCS 979/10)

7 Sec. 10. Definitions. In this Act:

8 "Illinois public university" means the University of
9 Illinois, Illinois State University, Chicago State University,
10 Governors State University, Southern Illinois University,
11 Northern Illinois University, Eastern Illinois University,
12 Western Illinois University, or Northeastern Illinois
13 University.

14 "Illinois community college" means a public community
15 college as defined in Section 1-2 of the Public Community
16 College Act.

17 "MAP-eligible institution" means a public institution of
18 higher education or a nonpublic institution of higher education
19 whose students are eligible to receive need-based student
20 financial assistance through State Monetary Award Program
21 (MAP) grants administered by the Illinois Student Assistance
22 Commission under the Higher Education Student Assistance Act
23 and whose students also are eligible to receive benefits under

1 Section 529(a) of the Internal Revenue Code of 1986, as
2 specified by the federal Small Business Act of 1996 and
3 subsequent amendments to this federal law.

4 "Illinois prepaid tuition contract" or "contract" means a
5 contract entered into between the State and a Purchaser under
6 Section 45 to provide for the higher education of a qualified
7 beneficiary.

8 "Illinois prepaid tuition program" or "program" means the
9 program created in Section 15.

10 "Purchaser" means a person who makes or has contracted to
11 make payments under an Illinois prepaid tuition contract.

12 "Public institution of higher education" means an Illinois
13 public university or Illinois community college.

14 "Nonpublic institution of higher education" means any
15 MAP-eligible educational organization, other than a public
16 institution of higher education, that provides a minimum of an
17 organized 2-year program at the postsecondary level and that
18 operates in conformity with standards substantially equivalent
19 to those of public institutions of higher education.

20 "Qualified beneficiary" means (i) anyone who has been a
21 resident of this State for at least 12 months prior to the date
22 of the contract, or (ii) a nonresident, so long as the
23 purchaser has been a resident of the State for at least 12
24 months prior to the date of the contract, or (iii) any person
25 less than one year of age whose parent or legal guardian has
26 been a resident of this State for at least 12 months prior to

1 the date of the contract.

2 "Tuition" means the quarter or semester charges imposed on
3 a qualified beneficiary to attend a MAP-eligible institution.

4 "Mandatory Fees" means those quarter or semester fees
5 imposed upon all students enrolled at a MAP-eligible
6 institution.

7 "Registration Fees" means the charges derived by combining
8 tuition and mandatory fees.

9 "Contract Unit" means 15 credit hours of instruction at a
10 MAP-eligible institution.

11 "Panel" means the investment ~~advisory~~ panel created under
12 Section 20.

13 "Commission" means the Illinois Student Assistance
14 Commission.

15 (Source: P.A. 93-56, eff. 7-1-03.)

16 (110 ILCS 979/20)

17 Sec. 20. Investment ~~Advisory~~ Panel.

18 (a) The Investment Advisory Panel is abolished. Members of
19 the Investment Advisory Panel shall continue to serve as
20 members of the Investment Panel created under this Section
21 until replaced by their respective Investment Panel
22 successors, as determined by the Commission, unless
23 reappointed as Investment Panel members.

24 (b) The Illinois prepaid tuition program's investments
25 shall be administered by the Commission, subject to approval by

1 an Investment Panel, which is hereby created. The Illinois
2 prepaid tuition program shall be administratively housed
3 within the Commission, and the Investment Panel shall have such
4 duties as are specified in this Act.

5 (c) The Investment Panel shall consist of 2 members
6 appointed by the State Treasurer, 2 members appointed by the
7 State Comptroller, one member appointed by the Executive
8 Director of the Governor's Office of Management and Budget, one
9 member, who shall serve as chairperson, appointed by the
10 Executive Director of the Board of Higher Education, and one
11 member appointed by a majority vote of the Commission. Each
12 panel member shall possess knowledge, skill, and experience in
13 at least one of the following areas of expertise: accounting,
14 actuarial practice, risk management, public finance, or
15 investment management. Members shall serve 3-year terms,
16 except that, in making the initial appointments, the State
17 Treasurer and State Comptroller shall appoint one member each
18 for a 4-year term and one member each for a 2-year term, the
19 Executive Director of the Governor's Office of Management and
20 Budget shall appoint one member for a 3-year term, the
21 Executive Director of the Board of Higher Education shall
22 appoint a member to serve as chairperson for a 3-year term, and
23 the Commission shall appoint one member for a 3-year term by
24 majority vote. The Commission shall determine when a term
25 begins. Once appointed, panel members are eligible for
26 reappointment and shall continue to serve until reappointed or

1 replaced. Any person appointed to fill a vacancy on the
2 Investment Panel shall serve for only the unexpired term. It is
3 the obligation of the Executive Director of the Commission to
4 ensure that the persons who make panel appointments are
5 apprised at least 3 months in advance of any future vacancy, if
6 known at that time, or any periodic need for appointment to the
7 Investment Panel.

8 (d) Investment Panel members shall serve without
9 compensation but shall be reimbursed for expenses. Before being
10 installed as a member of the Investment Panel, each person
11 shall file a verified written statement of economic interests
12 with the Secretary of State as required by the Illinois
13 Governmental Ethics Act and with the Board of Ethics as
14 required by executive order of the Governor.

15 (e) The Investment Panel shall meet at least quarterly each
16 year. At least once each year the Chairperson of the Commission
17 shall designate a time and place at which the Investment Panel
18 shall meet publicly with the Commission to approve a strategic
19 investment plan and, as needed, discuss other issues and
20 concerns relating to the Illinois prepaid tuition program. The
21 Illinois prepaid tuition program shall be administered by the
22 Illinois Student Assistance Commission, with advice and
23 counsel from an investment advisory panel appointed by the
24 Commission. The Illinois prepaid tuition program shall be
25 administratively housed within the Commission, and the
26 investment advisory panel shall have such duties as are

1 ~~specified in this Act.~~

2 ~~The investment advisory panel shall consist of 7 members~~
3 ~~who are appointed by the Commission, including one recommended~~
4 ~~by the State Treasurer, one recommended by the State~~
5 ~~Comptroller, one recommended by the Director of the Governor's~~
6 ~~Office of Management and Budget, and one recommended by the~~
7 ~~Executive Director of the Board of Higher Education. Each panel~~
8 ~~member shall possess knowledge, skill, and experience in at~~
9 ~~least one of the following areas of expertise: accounting,~~
10 ~~actuarial practice, risk management, or investment management.~~
11 ~~Members shall serve 3 year terms except that, in making the~~
12 ~~initial appointments, the Commission shall appoint 2 members to~~
13 ~~serve for 2 years, 2 members to serve for 3 years, and 3~~
14 ~~members to serve for 4 years. Any person appointed to fill a~~
15 ~~vacancy on the panel shall be appointed in a like manner and~~
16 ~~shall serve for only the unexpired term. Investment advisory~~
17 ~~panel members shall be eligible for reappointment and shall~~
18 ~~serve until a successor is appointed and confirmed. Panel~~
19 ~~members shall serve without compensation but shall be~~
20 ~~reimbursed for expenses. Before being installed as a member of~~
21 ~~the investment advisory panel, each nominee shall file verified~~
22 ~~written statements of economic interest with the Secretary of~~
23 ~~State as required by the Illinois Governmental Ethics Act and~~
24 ~~with the Board of Ethics as required by Executive Order of the~~
25 ~~Governor.~~

26 ~~The investment advisory panel shall meet at least twice~~

1 ~~annually. At least once each year the Commission Chairman shall~~
2 ~~designate a time and place at which the investment advisory~~
3 ~~panel shall meet publicly with the Illinois Student Assistance~~
4 ~~Commission to discuss issues and concerns relating to the~~
5 ~~Illinois prepaid tuition program.~~

6 (Source: P.A. 94-793, eff. 5-19-06.)

7 (110 ILCS 979/30)

8 Sec. 30. Investment ~~Advisory~~ Panel duties and
9 responsibilities.

10 (a) Advice, ~~and~~ review, and approval. The panel shall offer
11 advice and counseling regarding the investments of the Illinois
12 prepaid tuition program with the objective of obtaining the
13 best possible return on investments consistent with actuarial
14 soundness of the program. The panel is also required to
15 annually review and approve ~~advise the Commission on~~ provisions
16 of the strategic investment plan for the prepaid tuition
17 program. The panel is ~~also~~ charged with reviewing and approving
18 ~~advising the Commission with regard to~~ the annual report that
19 describes the current financial condition of the program. The
20 panel at its own discretion also may advise the Commission on
21 other aspects of the program. Neither the Commission nor its
22 Executive Director may at any time authorize investments
23 inconsistent with the strategic investment plan approved by the
24 panel.

25 (b) Investment plan. The Commission annually shall adopt a

1 comprehensive investment plan that has been approved
2 independently by the panel for purposes of this Section. The
3 comprehensive investment plan shall specify the investment
4 policies to be utilized by the Commission in its administration
5 of the Illinois Prepaid Tuition Trust Fund created by Section
6 35. The Commission may direct that assets of those Funds be
7 placed in savings accounts or may use the same to purchase
8 fixed or variable life insurance or annuity contracts,
9 securities, evidence of indebtedness, or other investment
10 products pursuant to the comprehensive investment plan and in
11 such proportions as may be designated or approved under that
12 plan. The Commission shall invest such assets with the care,
13 skill, prudence, and diligence under the circumstances then
14 prevailing that a prudent man acting in a like capacity and
15 familiar with such matters would use in the conduct of an
16 enterprise of a like character with like aims, and the
17 Commission shall diversify the investments of such assets so as
18 to minimize the risk of large losses, unless under the
19 circumstances it is clearly prudent not to do so. Those
20 insurance, annuity, savings, and investment products shall be
21 underwritten and offered in compliance with applicable federal
22 and State laws, rules, and regulations by persons who are
23 authorized thereunder to provide those services. The
24 Commission shall delegate responsibility for preparing the
25 comprehensive investment plan to the Executive Director of the
26 Commission. The Commission shall contract ~~Nothing in this~~

1 ~~Section shall preclude the Commission from contracting~~ with a
2 private corporation or institution to provide ~~such~~ services as
3 ~~may be a part of the comprehensive investment plan and as~~ or as
4 ~~may be deemed~~ necessary for implementation of the comprehensive
5 investment plan, including, but not limited to, providing
6 consolidated billing, individual and collective record keeping
7 and accounting, and asset purchase, control, and safekeeping.

8 (c) Program management. The Commission may not delegate its
9 management functions, but shall ~~may~~ arrange to compensate for
10 personalized investment advisory services rendered with
11 respect to any or all of the investments under its control an
12 investment advisor registered under Section 8 of the Illinois
13 Securities Law of 1953 or any bank or other entity authorized
14 by law to provide those services. Nothing contained herein
15 shall preclude the Commission from subscribing to general
16 investment research services available for purchase or use by
17 others. The Commission also shall have authority to compensate
18 for accounting, computing, and other necessary services.

19 (d) Annual report. The Commission shall annually prepare or
20 cause to be prepared a report setting forth in appropriate
21 detail an accounting of all Illinois prepaid tuition program
22 funds and a description of the financial condition of the
23 program at the close of each fiscal year. Included in this
24 report shall be an evaluation by at least one nationally
25 recognized actuary of the financial viability of the program.
26 This report shall be submitted to the Governor, the President

1 of the Senate, the Speaker of the House of Representatives, the
2 Auditor General, and the Board of Higher Education on or before
3 March 1 of the subsequent fiscal year. This report also shall
4 be made available to purchasers of Illinois prepaid tuition
5 contracts and shall contain complete Illinois prepaid tuition
6 contract sales information, including, but not limited to,
7 projected postsecondary enrollment data for qualified
8 beneficiaries.

9 (e) Marketing plan. Selection of a marketing agent for the
10 Illinois prepaid tuition program must be approved by the
11 Commission. At least once every 3 years, the Commission shall
12 solicit proposals for marketing of the Illinois prepaid tuition
13 program in accordance with the Illinois Securities Law of 1953
14 and any applicable provisions of federal law. The entity
15 designated pursuant to this paragraph shall serve as a
16 centralized marketing agent for the program and shall have
17 exclusive responsibility for marketing the program. No
18 contract for marketing the Illinois prepaid tuition program
19 shall extend for longer than 3 years. Any materials produced
20 for the purpose of marketing the program shall be submitted to
21 the Executive Director of the Commission for approval before
22 they are made public. Any Illinois MAP-eligible institution may
23 distribute marketing materials produced for the program, so
24 long as the Executive Director of the Commission approves the
25 distribution in advance. Neither the State nor the Commission
26 shall be liable for misrepresentation of the program by a

1 marketing agent.

2 (f) Accounting and audit. The Commission shall annually
3 cause to be prepared an accounting of the trust and shall
4 transmit a copy of the accounting to the Governor, the
5 President of the Senate, the Speaker of the House, and the
6 minority leaders of the Senate and House of Representatives.
7 The Commission shall also make available this accounting of the
8 trust to any purchaser of an Illinois prepaid tuition contract,
9 upon request. The accounts of the Illinois prepaid tuition
10 program shall be subject to annual audits by the Auditor
11 General or a certified public accountant appointed by the
12 Auditor General.

13 (Source: P.A. 90-546, eff. 12-1-97; 91-669, eff. 1-1-00.)

14 Section 99. Effective date. This Act takes effect upon
15 becoming law.