

# HB2475



## 99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

HB2475

Introduced 2/18/2015, by Rep. Kelly Burke

### 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.

LRB099 02920 JLK 22928 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. The  
2 College Savings Pool must be available to any individual with a  
3 valid social security number or taxpayer identification number  
4 for the benefit of any individual with a valid social security  
5 number or taxpayer identification number, unless a contract in  
6 effect on August 1, 2011 (the effective date of Public Act  
7 97-233) does not allow for taxpayer identification numbers, in  
8 which case taxpayer identification numbers must be allowed upon  
9 the expiration of the contract.

10 New accounts in the College Savings Pool may be processed  
11 through participating financial institutions. "Participating  
12 financial institution", as used in this Section, means any  
13 financial institution insured by the Federal Deposit Insurance  
14 Corporation and lawfully doing business in the State of  
15 Illinois and any credit union approved by the State Treasurer  
16 and lawfully doing business in the State of Illinois that  
17 agrees to process new accounts in the College Savings Pool.  
18 Participating financial institutions may charge a processing  
19 fee to participants to open an account in the pool that shall  
20 not exceed \$30 until the year 2001. Beginning in 2001 and every  
21 year thereafter, the maximum fee limit shall be adjusted by the  
22 Treasurer based on the Consumer Price Index for the North  
23 Central Region as published by the United States Department of  
24 Labor, Bureau of Labor Statistics for the immediately preceding  
25 calendar year. Every contribution received by a financial  
26 institution for investment in the College Savings Pool shall be

1 transferred from the financial institution to a location  
2 selected by the State Treasurer within one business day  
3 following the day that the funds must be made available in  
4 accordance with federal law. All communications from the State  
5 Treasurer to participants and donors shall reference the  
6 participating financial institution at which the account was  
7 processed.

8       The Treasurer may invest the moneys in the College Savings  
9 Pool in the same manner and in the same types of investments  
10 provided for the investment of moneys by the Illinois State  
11 Board of Investment. To enhance the safety and liquidity of the  
12 College Savings Pool, to ensure the diversification of the  
13 investment portfolio of the pool, and in an effort to keep  
14 investment dollars in the State of Illinois, the State  
15 Treasurer may make a percentage of each account available for  
16 investment in participating financial institutions doing  
17 business in the State. The State Treasurer may deposit with the  
18 participating financial institution at which the account was  
19 processed the following percentage of each account at a  
20 prevailing rate offered by the institution, provided that the  
21 deposit is federally insured or fully collateralized and the  
22 institution accepts the deposit: 10% of the total amount of  
23 each account for which the current age of the beneficiary is  
24 less than 7 years of age, 20% of the total amount of each  
25 account for which the beneficiary is at least 7 years of age  
26 and less than 12 years of age, and 50% of the total amount of

1 each account for which the current age of the beneficiary is at  
2 least 12 years of age. The Treasurer shall develop, publish,  
3 and implement an investment policy covering the investment of  
4 the moneys in the College Savings Pool. The policy shall be  
5 published each year as part of the audit of the College Savings  
6 Pool by the Auditor General, which shall be distributed to all  
7 participants. The Treasurer shall notify all participants in  
8 writing, and the Treasurer shall publish in a newspaper of  
9 general circulation in both Chicago and Springfield, any  
10 changes to the previously published investment policy at least  
11 30 calendar days before implementing the policy. Any investment  
12 policy adopted by the Treasurer shall be reviewed and updated  
13 if necessary within 90 days following the date that the State  
14 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

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

18 The Treasurer shall limit the contributions that may be  
19 made on behalf of a designated beneficiary based on the  
20 limitations established by the Internal Revenue Service. The  
21 contributions made on behalf of a beneficiary who is also a  
22 beneficiary under the Illinois Prepaid Tuition Program shall be  
23 further restricted to ensure that the contributions in both  
24 programs combined do not exceed the limit established for the  
25 College Savings Pool. The Treasurer shall provide the Illinois  
26 Student Assistance Commission each year at a time designated by

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

1 participant, donor, or designated beneficiary of that account,  
2 except for the non-exempt College Savings Pool transfers to or  
3 from the account as defined under subsection (j) of Section  
4 12-1001 of the Code of Civil Procedure (735 ILCS 5/12-1001(j)).

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

17 The Treasurer shall adopt rules he or she considers  
18 necessary for the efficient administration of the College  
19 Savings Pool. The rules shall provide whatever additional  
20 parameters and restrictions are necessary to ensure that the  
21 College Savings Pool meets all of the requirements for a  
22 qualified state tuition program under Section 529 of the  
23 Internal Revenue Code (26 U.S.C. 529). The rules shall provide  
24 for the administration expenses of the pool to be paid from its  
25 earnings and for the investment earnings in excess of the  
26 expenses and all moneys collected as penalties to be credited



1 or paid monthly to the several participants in the pool in a  
2 manner which equitably reflects the differing amounts of their  
3 respective investments in the pool and the differing periods of  
4 time for which those amounts were in the custody of the pool.  
5 Also, the rules shall require the maintenance of records that  
6 enable the Treasurer's office to produce a report for each  
7 account in the pool at least annually that documents the  
8 account balance and investment earnings. Notice of any proposed  
9 amendments to the rules and regulations shall be provided to  
10 all participants prior to adoption. Amendments to rules and  
11 regulations shall apply only to contributions made after the  
12 adoption of the amendment.

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

19       (Source: P.A. 97-233, eff. 8-1-11; 97-537, eff. 8-23-11;  
20 97-813, eff. 7-13-12.)