

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 577 Session of 2023

INTRODUCED BY MULLINS, GALLAGHER, SIEGEL, SAPPEY, MADDEN, SCHLOSSBERG, VENKAT, SANCHEZ, DELLOSO, SOLOMON, WARREN, STURLA, HILL-EVANS, D. WILLIAMS, PARKER, DEASY, FREEMAN, NEILSON, CIRESI, CONKLIN, N. NELSON, E. NELSON, SHUSTERMAN, KHAN, DONAHUE, RABB, BOROWSKI, PISCIOTTANO, GILLEN, FRANKEL AND KENYATTA, MARCH 20, 2023

AS REPORTED FROM COMMITTEE ON COMMERCE, HOUSE OF REPRESENTATIVES, AS AMENDED, MAY 3, 2023

AN ACT

1 Establishing the Keystone Saves Program, the Keystone Saves
2 Program Fund, the Keystone Saves Administrative Fund and the
3 Keystone Saves Program Advisory Board; and providing for
4 powers and duties of the Treasury Department, for investment
5 and fiduciary responsibilities and for program
6 implementation.

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9 The General Assembly of the Commonwealth of Pennsylvania
10 hereby enacts as follows:

11 CHAPTER 1

12 PRELIMINARY PROVISIONS

13 Section 101. Short title.

14 This act shall be known and may be cited as the Keystone
15 Saves Program Act.

16 Section 102. Legislative intent (Reserved).

17 Section 103. Definitions.

18 The following words and phrases when used in this act shall
19 have the meanings given to them in this section unless the
20 context clearly indicates otherwise:

21 "Administrative fund." The Keystone Saves Administrative
22 Fund established under section 303.

23 "Board." The Keystone Saves Program Advisory Board
24 established under section 501.

25 "Covered employee." As follows:

26 (1) An individual who:

27 (i) is employed by a covered employer;

28 (ii) has gross wages or other compensation that are
29 allocable to the Commonwealth in a calendar year; and

30 (iii) is at least 18 years of age.

1 (2) The term does not include any of the following:

2 (i) An employee covered under 45 U.S.C. § 151 et
3 seq. (Railway Labor Act).

4 (ii) An employee on whose behalf an employer makes
5 contributions to a multi-employer pension trust fund.

6 (iii) An employee of the Federal Government.

7 (iv) An employee of this Commonwealth or any other
8 state.

9 (v) An employee of a political subdivision,
10 municipal corporation or school district in this
11 Commonwealth or any other state.

12 "Covered employer." As follows:

13 (1) A person engaged in a business, industry,
14 profession, trade or other enterprise in this Commonwealth
15 that employs individuals, whether for profit or not for
16 profit.

17 (2) The term does not include any of the following:

18 (i) An employer that has four or fewer employees:

19 (A) as of July 1 or later of a current calendar
20 year, for at least six months of that calendar year;
21 and

22 (B) for at least six consecutive months of the
23 preceding calendar year.

24 (ii) An employer that has been in business at all
25 times for less than 15 consecutive months.

26 (iii) An employer that maintains or contributes to a
27 specified tax-favored retirement plan for the employer's
28 employees or has done so effective in form and operation
29 at any time within the current or three preceding
30 calendar years. If an employer does not maintain a

1 specified tax-favored retirement plan for a portion of a
2 calendar year ending on or after the effective date of
3 this definition and adopts a specified tax-favored
4 retirement plan for the remainder of the calendar year,
5 the employer is not included in this term for the
6 remainder of the calendar year.

7 "Department." The Treasury Department of the Commonwealth.

8 "ERISA." 29 U.S.C. § 1001 et seq. (The Employee Retirement
9 Income Security Act of 1974).

10 "Internal Revenue Code." 26 U.S.C. § 1 et seq. (The Internal
11 Revenue Code of 1986).

12 "IRA." An individual retirement account or individual
13 retirement annuity, including a traditional IRA or a Roth IRA,
14 under one of the following sections of the Internal Revenue
15 Code:

16 (1) 26 U.S.C. § 408(a) or (b) (relating to individual
17 retirement accounts).

18 (2) 26 U.S.C. § 408A (relating to Roth IRAs).

19 "Participant." An individual who is contributing to an IRA
20 under the program or has an IRA account balance under the
21 program.

22 "Participating employer." ~~An employer that participates in~~ <--
23 ~~the program, including a covered employer and~~ INCLUDES A COVERED <--
24 EMPLOYER OR a noncovered employer that voluntarily participates
25 in the program.

26 "Payroll service." A third party that provides payroll
27 system activities to other persons, generally pursuant to a
28 contractual or similar arrangement, for compensation.

29 "Payroll system." A system that uses software to
30 automatically process payroll, including calculating total wage

1 earnings, withholding and remitting of deductions, filing
2 payroll taxes, and delivering payment of net wages to employees.

3 "Person." A corporation, partnership, limited liability
4 company, business trust, other association, estate, trust,
5 foundation or natural person, including natural persons doing
6 business as sole proprietors.

7 "Program." The Keystone Saves Program established under
8 section 301.

9 "Program fund." The Keystone Saves Program Fund established
10 under section 302.

11 "Qualified payroll deposit retirement savings arrangement" or
12 "qualified arrangement." An arrangement facilitated by a
13 participating employer that allows employees to contribute to an
14 IRA by processing employer payroll deductions and contributing
15 the deductions to the program in accordance with section 1102.

16 "Quarter." Any of the following periods:

- 17 (1) January 1 to March 31 of each year.
- 18 (2) April 1 to June 30 of each year.
- 19 (3) July 1 to September 30 of each year.
- 20 (4) October 1 to December 31 of each year.

21 "Roth IRA." A Roth individual retirement account or
22 individual retirement annuity under section 408A of the Internal
23 Revenue Code.

24 "Specified tax-favored retirement plan." A retirement plan
25 that is tax-qualified under or intended to satisfy the
26 requirements of section 401(a) or (k), 403(a) or (b) or 408(k)
27 or (p) of the Internal Revenue Code.

28 "Total fees and expenses." All fees, costs and expenses of
29 operating the program, including, but not limited to, any of the
30 following:

- 1 (1) Initial planning and organizational costs.
- 2 (2) Administrative expenses.
- 3 (3) Investment expenses.
- 4 (4) Investment advice expenses.
- 5 (5) Accounting costs, actuarial costs, legal costs,
- 6 marketing expenses, education expenses, trading costs,
- 7 insurance annuitization costs and other costs reasonably
- 8 related to the program.

9 "Traditional IRA." A traditional individual retirement
10 account or traditional individual retirement annuity under
11 section 408(a) or (b) of the Internal Revenue Code.

12 CHAPTER 3

13 KEYSTONE SAVES PROGRAM

14 Section 301. Establishment of program.

15 There is established a retirement savings program in the form
16 of an automatic enrollment payroll deduction IRA, known as the
17 Keystone Saves Program, within the department. The program shall
18 be administered by the department for the purposes of promoting
19 greater retirement savings for covered employees in a
20 convenient, low-cost and portable manner.

21 Section 302. Keystone Saves Program Fund.

22 (a) Establishment.--The Keystone Saves Program Fund is
23 established as a separate fund in the State Treasury. The
24 following shall apply:

25 (1) The program fund shall be used for the exclusive
26 benefit of participants and the payment of program expenses.

27 (2) The construction of a participant's program account
28 as self-settled shall not cause the program account to be
29 treated as other than a trust.

30 (3) The program fund shall include the individual

1 retirement accounts of participants, which shall be accounted
2 for as individual accounts.

3 (4) Money in the program fund shall include money
4 received from participants through participating employers.

5 (5) Investment earnings and interest that are
6 attributable to money in the program fund shall be deposited
7 in the program fund and credited appropriately to individual
8 accounts.

9 (b) Amounts on deposit.--Except as provided under section
10 304(c), the following shall apply:

11 (1) The money deposited into the program fund, or any
12 earnings thereof, does not constitute property of the
13 Commonwealth.

14 (2) Money deposited into the program fund may not be
15 commingled with Commonwealth funds.

16 (3) The Commonwealth shall have no claim to or against,
17 or interest in, the money deposited into the program fund.

18 (c) Exemption from securities laws.--The program fund shall
19 be construed to be an agency or instrumentality of the
20 Commonwealth and shall be exempt from any statute regulating
21 securities, including the act of December 5, 1972 (P.L.1280,
22 No.284), known as the Pennsylvania Securities Act of 1972.
23 Section 303. Keystone Saves Administrative Fund.

24 (a) Establishment.--The Keystone Saves Administrative Fund
25 is established as a separate trust fund in the State Treasury.
26 Money in the administrative fund shall be segregated from the
27 program fund and accounted for separately from the program fund.

28 (b) Use of money.--The department shall use money in the
29 administrative fund to pay for all administrative and operating
30 costs, fees and expenses incurred solely in performing the

1 duties of the department under this act.

2 (c) Sources of money.--The administrative fund shall receive
3 deposits from the individual account assessments under section
4 304(c) and funds designated for administrative purposes from the
5 Federal Government, the Commonwealth or a local government
6 entity or in the form of gifts, donations or grants made by any
7 other person, firm, partnership or corporation for deposit into
8 the administrative fund.

9 (d) Earnings and interest.--Investment earnings and interest
10 that are attributable to money in the administrative fund shall
11 be deposited into the administrative fund.

12 (e) Appropriation.--All money in the administrative fund is
13 appropriated to the department on a continuing basis to carry
14 out the provisions of this act.

15 Section 304. Administration and funding.

16 (a) Duties of department.--Subject to the provisions of this
17 act, the department shall implement and administer the program.

18 (b) Operating and administrative costs.--

19 (1) The department shall, through the Governor, annually
20 submit to the General Assembly a budget covering the total
21 fees and expenses for the program. Upon approval by the
22 General Assembly in an appropriation bill, total fees and
23 expenses as incurred by the program and the department shall
24 be paid from the fees, charges and investment earnings of the
25 administrative fund or from other available money.

26 (2) Beginning five years after participants are enrolled
27 in the program and upon approval by the General Assembly in
28 an appropriation bill, total fees and expenses as incurred by
29 the program shall be paid from the fees, charges, investment
30 earnings and interest of the administrative fund or from

1 other available money.

2 (c) Program costs.--All fees, costs and expenses of
3 administering and operating the program and investing the assets
4 of the program fund shall be incurred by the participants and
5 paid from assessments against the balances of the individual
6 program accounts as established by the State Treasurer and
7 deposited in the administrative fund. All fees, costs and
8 expenses of administering and operating the program shall be
9 paid by the Commonwealth through annual appropriations from the
10 administrative fund. The assessment for an individual program
11 account shall not exceed an amount equivalent to 75 basis points
12 per year calculated on the individual program account balance as
13 of the date of each assessment, which shall be calculated pro
14 rata. The assessment limitation under this subsection shall not
15 apply during the five-year period commencing with the enrollment
16 of participants in the program and during the repayment period
17 under subsection (d) of an appropriation provided during the
18 five-year period.

19 (d) Repayment of appropriation.--The department shall over
20 time repay to the General Fund money appropriated covering the
21 total costs, fees and expenses for the program. The repayment
22 shall be made from the fees, charges, investment earnings and
23 interest of the administrative fund or from any other available
24 money.

25 CHAPTER 5

26 KEYSTONE SAVES PROGRAM ADVISORY BOARD

27 Section 501. Establishment of board.

28 The Keystone Saves Program Advisory Board is established
29 within the department.

30 Section 502. Composition of board.

1 (a) Members.--The board shall consist of the following
2 members:

3 (1) The Governor, or a designee.

4 (2) The State Treasurer, or a designee.

5 (3) Four members, one each appointed by the President
6 pro tempore of the Senate, the Speaker of the House of
7 Representatives, the Minority Leader of the Senate and the
8 Minority Leader of the House of Representatives. The four
9 appointed members must have knowledge, skill and expertise in
10 financial planning and saving for retirement.

11 (b) Chairperson.--The State Treasurer, or a designee, shall
12 serve as chairperson of the board.

13 Section 503. Terms of board members.

14 (a) Term generally.--Each appointed board member shall serve
15 a term of four years.

16 (b) Vacancy.--A vacancy on the board shall be filled for the
17 unexpired term of an appointed member of the board in the same
18 manner as the original appointment.

19 Section 504. Meetings of board.

20 (a) Organizational meeting.--The State Treasurer, or the
21 designee under section 502(a)(2), shall call the organizational
22 meeting of the board.

23 (b) Subsequent meetings.--Meetings of the board shall be
24 held at the call of the chairperson, but no less frequent than
25 once every quarter.

26 (c) Employees.--The department shall have the power and its
27 duty shall be to provide the board with experts, stenographers
28 and assistants as necessary to carry out the work of the board.
29 In addition, the board may enlist voluntary assistance as
30 available from citizens, research organizations and other

1 agencies.

2 Section 505. Duties of board.

3 (a) Mandatory duties.--The board shall:

4 (1) Consider, study and review the work of the program.

5 (2) Advise the department upon request.

6 (3) Make recommendations on the board's own initiative
7 for the improvement of the program.

8 (b) Discretionary duties.--The board may make interim
9 reports as the board deems advisable.

10 Section 506. Limitations on board members.

11 A board member may not:

12 (1) Directly or indirectly have an interest in the
13 making of an investment under the program or in gains or
14 profits accruing from an investment under the program.

15 (2) Borrow program-related money or deposits or use
16 program-related money or deposits in any manner, for the
17 board member or as an agent or partner of another person.

18 (3) Become an endorser, surety or obligor on an
19 investment made under the program.

20 CHAPTER 7

21 DEPARTMENT POWERS AND DUTIES

22 Section 701. Powers and duties of department.

23 The department shall have the following duties:

24 (1) Administer the program and the funds.

25 (2) Enter into individual retirement account contracts
26 with individuals for the establishment of retirement savings
27 accounts.

28 (3) Contract for goods and services and employing
29 personnel, including contracts with private consultants,
30 actuaries, investment advisors and managers, record keepers,

1 legal counsel, auditors and such others as the department
2 determines necessary for the rendering of professional,
3 managerial and technical assistance and advice. In awarding
4 contracts for goods and services under this paragraph, the
5 department may consider, where relevant, the following
6 regarding an applicant:

7 (i) Staffing capabilities and capacity.

8 (ii) Experience and performance in supplying similar
9 goods and services to governmental or private-sector
10 programs.

11 (iii) Reputation for preserving the confidentiality
12 and integrity of sensitive information.

13 (iv) Length of time in the current or comparable
14 lines of business.

15 (v) Financial strength and record of
16 creditworthiness.

17 (vi) Other factors as the department may deem
18 material to evaluating the suitability of the applicant
19 for any of the categories of contracts and personnel
20 described in this paragraph.

21 (4) Solicit and accept gifts, grants, loans and other
22 aid from any person, government entity, corporation or other
23 entity and participate in any Federal, State or local
24 government program that results in additional money being
25 available for establishment and implementation of the
26 program.

27 (5) Collect administrative fees and charges in
28 connection with any transaction, including continued
29 participation in the program.

30 (6) Contract for insurance, letters of credit and

1 collateral agreements.

2 (7) Solicit answers from appropriate Federal agencies
3 regarding the application of security laws or other Federal
4 laws to the program.

5 (8) Promulgate rules and regulations and develop
6 policies and procedures that the department deems necessary
7 or advisable for the implementation of this act and the
8 administration and operation of the program.

9 (9) Notwithstanding any other provision of this act,
10 cause the program to be designed, established and operated in
11 a manner that:

12 (i) accords with best practices for retirement
13 saving vehicles;

14 (ii) is effective, efficient and low-cost;

15 (iii) encourages participation, saving, sound
16 investment practices and appropriate selection of default
17 investments;

18 (iv) maximizes simplicity and ease of administration
19 for employers, minimizes financial costs for employers,
20 and minimizes interactions between covered employees and
21 covered employers;

22 (v) minimizes or eliminates costs for employers and
23 employees;

24 (vi) promotes portability of benefits;

25 (vii) complies with all applicable sections of the
26 Internal Revenue Code and regulations thereunder,
27 including ensuring that the program satisfies all
28 criteria for favorable Federal tax treatment and
29 complies, to the extent necessary, with any other
30 applicable Federal or State law;

1 (viii) ensures that accounts of participants meet
2 the requirements for an IRA under the Internal Revenue
3 Code; and

4 (ix) avoids preemption of the program by ERISA or
5 other Federal law.

6 (10) Adopt, and periodically review, a written
7 investment policy to ensure, among other considerations, that
8 investment risks are prudent and properly managed and are
9 appropriate in comparison to applicable performance
10 benchmarks and standards.

11 (11) Develop and disseminate educational information to
12 educate participating employers, covered employees,
13 participants and others about the program, including all of
14 the following information:

15 (i) The benefits of planning and saving for
16 retirement.

17 (ii) Savings strategies that may be appropriate,
18 including information describing the potential value of
19 continuing income streams during retirement that might be
20 derived from current account balances and products
21 relating to generating such income.

22 (iii) The challenges of decumulating funds and
23 managing spending during retirement.

24 (12) In addition to the materials described under
25 paragraph (11), develop and deliver to each covered employee
26 whose name is provided to it by the covered employer an
27 information packet that provides details about the program
28 and the choices available to the covered employee regarding
29 participation in the program.

30 (13) Promulgate rules to allow employers who are not

1 covered employers to voluntarily participate in the program,
2 as modified for the noncovered employers as may be necessary
3 and in a manner that does not cause any portion of the
4 program to be considered a plan regulated by ERISA. An
5 employer that maintains or contributes to a specified tax-
6 favored retirement plan for the employer's employees or has
7 done so effective in form and operation at any time within
8 the current or three preceding calendar years shall not be
9 eligible to participate in the program.

10 (14) Promulgate rules to allow independent contractors,
11 self-employed individuals and other workers who are not
12 covered employees to voluntarily participate in the program,
13 modified for the individuals as may be necessary.

14 (15) Make and enter into contracts, agreements or other
15 arrangements to collaborate or cooperate with other State and
16 local government agencies and governmental entities of other
17 states that maintain retirement savings programs compatible
18 with the program regarding the sharing of investment and
19 administrative functions, including prudent collective,
20 common or pooled investments with funds of other states'
21 programs, in order to achieve economies of scale and other
22 efficiencies designed to minimize costs for the program.

23 (16) Request from the Department of Labor and Industry
24 and other State agencies information necessary for the
25 department to implement this act, and share such data,
26 pursuant to appropriate safeguards, with any of the entities
27 or individuals retained under paragraph (3) as necessary for
28 implementation of this act.

29 (17) Exercise any other powers reasonably necessary for
30 the effectuation of the purposes, objectives and provisions

1 of this act pertaining to the program.

2 CHAPTER 9

3 INVESTMENT AND FIDUCIARY RESPONSIBILITIES

4 Section 901. Fiduciary duties.

5 The department, and investment managers engaged by the
6 department, shall be in a fiduciary relationship with
7 participants and shall discharge their duties under this act
8 solely in the interest of participants:

9 (1) for the exclusive purposes of providing benefits to
10 participants and defraying reasonable expenses of
11 administering the program; and

12 (2) by exercising that degree of judgment, skill and
13 care under the circumstances then prevailing that persons of
14 prudence, discretion and intelligence who are familiar with
15 the matters exercise in the management of their own affairs,
16 not in regard to speculation but in regard to the pursuit of
17 reasonable income and preservation of capital.

18 Section 902. Investment policies.

19 (a) Policies.--The department shall develop and adopt
20 investment policies that define the investment objectives of the
21 program consistent with the objectives of the program.

22 (b) Options.--The investment policies shall guide the
23 department in identifying and making investment options
24 available to participants that are intended to provide, in
25 addition to other appropriate options, an economical income
26 replacement balanced with an appropriate level of risk in an
27 IRA-based environment consistent with the investment objectives
28 of the program. The investment options may encompass a range of
29 risk and return opportunities and allow for a rate of return
30 commensurate with an appropriate level of risk consistent with

1 the investment objectives of the program.

2 (c) Recommendations.--The investment policies shall include
3 recommendations regarding the desirability of limiting
4 investment choices under the program to a reasonable number in
5 the interest of simplicity and in consideration of the extensive
6 investment choices available to participants if the participants
7 roll over to an IRA existing outside of the program. The
8 recommendations shall conform to the program objectives of
9 minimizing participant fees and administration and investment
10 expenses and maximizing participation.

11 Section 903. Additional investment options.

12 (a) Options.--As part of or in addition to investment
13 options under section 902(b), the department shall, at a
14 minimum, establish the following investment options for the
15 program:

16 (1) Life-cycle fund with a target date based upon the
17 age of the participant.

18 (2) Equity index fund.

19 (3) Bond index fund.

20 (4) Capital preservation fund.

21 (b) Distribution options.--The department may establish
22 other investment options as the department deems necessary or
23 desirable in accordance with the investment policies developed
24 under section 902(a). The department shall evaluate whether to
25 offer one or more distribution options for the program to
26 provide for a source of fixed retirement income that includes
27 spousal protection for all or a portion of a participant's
28 retirement.

29 (c) Default option.--The department shall select a default
30 investment option for participants who do not elect an

1 investment option. From time to time, the department may change
2 the default option for future participants.

3 Section 904. Investment managers.

4 (a) Engagement.--The department shall have the sole and
5 exclusive discretion to engage investment managers.

6 (b) Fees and charges.--An investment manager's fees and
7 charges shall not exceed 60 basis points of program fund assets
8 under management.

9 (c) Compliance.--An investment manager shall comply with
10 applicable Federal and State laws and regulations, rules,
11 policies and guidelines promulgated by the department regarding
12 the program and the investment of money in a fund, including,
13 but not limited to, investment policies.

14 (d) Oversight.--An investment manager shall provide reports
15 to and appear before department personnel as the department
16 deems necessary for the department to oversee the investment
17 manager's performance and the performance of the fund.

18 (e) Performance reviews.--The department shall periodically
19 conduct a performance review of each investment manager,
20 including a review of fees and customer service. A copy of each
21 performance review shall be made available on the department's
22 publicly accessible Internet website.

23 CHAPTER 11

24 PROGRAM IMPLEMENTATION

25 Section 1101. Commencement of program activities.

26 No later than 24 months from the effective date of this
27 section, the department shall begin implementation of the
28 program and allow a participating employer to register with the
29 department and certify that the participating employer has
30 facilitated a qualified arrangement. The department may delay

1 the start of implementation, including the deadlines specified
2 in section 1106(b), for up to one year if the department
3 determines that a delay would be in the best interests of the
4 program.

5 Section 1102. Registration and certification of qualified
6 payroll deposit retirement savings arrangements.

7 (a) General rule.--No later than the deadlines established
8 under section 1106(b), a participating employer shall facilitate
9 a qualified arrangement and register with the department,
10 certifying that the participating employer has facilitated a
11 qualified payroll deposit retirement savings arrangement.

12 (b) Arrangement requirements.--A participating employer's
13 qualified arrangement shall include the following components and
14 features:

15 (1) Offer a covered employee the opportunity to
16 participate in the program.

17 (2) In compliance with procedures established by the
18 department, the qualified arrangement shall:

19 (i) Provide the department with the name of the
20 covered employee and other information as may be required
21 by the department.

22 (ii) Make available to a covered employee
23 information regarding the program provided by the
24 department.

25 (iii) Automatically enroll a covered employee in the
26 payroll deposit retirement savings arrangement, unless
27 the covered employee opts out of the program.

28 (iv) Regularly take deductions from a participant's
29 gross wages and remit the deductions to the participant's
30 program account.

1 (3) Allow a participant to select the rate of deduction
2 from the participant's gross wages for the program, subject
3 to the annual contribution limit permitted by the Internal
4 Revenue Code. For a participant who does not identify a
5 deduction rate, the department shall establish a default
6 contribution equal to 4% of gross wages, or another default
7 percentage as the department may prescribe for the program,
8 subject to the annual contribution limit permitted by the
9 Internal Revenue Code.

10 (4) Automatically increase the deduction rate by an
11 amount equal to 1% of gross wages each year, or such other
12 annual increase as the department may prescribe for the
13 program, to a maximum of 10% of gross wages or the annual
14 contribution limit permitted by the Internal Revenue Code,
15 whichever is greater.

16 (5) Allow a participant to completely opt out of
17 deductions, increase or decrease the deduction rate, freeze
18 automatic annual deduction rate increases or increase the
19 deduction rate, subject to the annual contribution limit
20 permitted by the Internal Revenue Code.

21 (6) Allow a participant to select one or more investment
22 options from the investment options offered by the department
23 through the program. A participant may change the selected
24 investment option or options at any time, subject to the
25 program rules. For a participant who does not select any
26 investment option, the deductions from the participant's
27 gross wages will be invested in a default option established
28 by the department for the program.

29 (7) Allow a participant to terminate participation in
30 the program at any time in accordance with Internal Revenue

1 Code requirements.

2 (8) At least once each calendar year, provide an open
3 enrollment period of not less than two weeks, or such longer
4 time period as may be prescribed by the department, during
5 which a covered employee who previously opted out of the
6 program or who terminated prior participation in the program
7 may enroll or re-enroll in the program.

8 (9) Allow a participant to roll over the program account
9 balance into specified tax-favored retirement plans or
10 traditional IRAs.

11 (10) Prohibit a participating employer from making
12 contributions to the program.

13 (11) Prohibit a participating employer from taking any
14 actions that constitute an explicit or direct endorsement or
15 promotion of the arrangement or the program.

16 Section 1103. Participating employer plans.

17 Nothing in this act shall prohibit a participating employer
18 from replacing a qualified arrangement with a specified tax-
19 favored retirement plan.

20 Section 1104. Roth IRAs and traditional IRAs.

21 (a) Roth IRAs.--Subject to the requirements for a Roth IRA
22 under the Internal Revenue Code, participant contributions,
23 including contributions from a participant who does not select
24 an investment option, shall be made to a Roth IRA.

25 (b) Alternative structures for emergency savings.--The
26 department may offer an alternative investment option for a
27 participant to select that facilitates access, in the event of
28 emergency, to the participant's contributions comparable to that
29 allowed by a Roth IRA.

30 (c) Traditional IRAs.--The department may make a traditional

1 IRA available for a participant who selects the participant's
2 investment options.

3 Section 1105. Implementation of qualified arrangements.

4 The department shall establish procedures regarding the
5 facilitation of a qualified arrangement by a participating
6 employer.

7 Section 1106. Registration and certification.

8 (a) Procedures.--The department shall establish procedures
9 for a participating employer to register in the program and
10 provide the registration information to the department. A
11 participating employer shall certify to the department
12 implementation of a qualified arrangement at the time of
13 registration.

14 (b) Registration deadlines.--Unless otherwise specified by
15 the department, the registration deadlines for a covered
16 employer to register as a participating employer shall be as
17 follows, so long as nothing in this subsection shall prevent the
18 department from implementing a limited pilot program earlier
19 than any time periods described below to enable volunteer-
20 covered employers to register with the department and certify
21 having facilitated the implementation of qualified arrangements:

22 (1) A covered employer employing 100 or more employees
23 shall register no later than 24 months after the effective
24 date of this subsection.

25 (2) A covered employer employing at least 20 but no more
26 than 99 employees shall register no later than 30 months
27 after the effective date of this subsection.

28 (3) A covered employer employing at least 10 but no more
29 than 19 employees shall register no later than 36 months
30 after the effective date of this subsection.

1 (4) A covered employer employing at least 5 but no more
2 than 9 employees shall register no later than 48 months after
3 the effective date of this subsection.

4 (5) Notwithstanding any of the preceding registration
5 deadlines of this subsection, covered employers that pay
6 their employees through a payroll system or payroll service
7 shall register no later than 24 months after the effective
8 date of this subsection. A covered employer shall not be
9 subject to a penalty for not participating in the program.

10 Section 1107. Payroll deductions.

11 (a) Payroll deduction deposits.--The department shall
12 establish procedures for payroll deduction deposits, including
13 time periods within which a participating employer must notify
14 the department of the hiring of a new covered employee, must
15 enroll the new covered employee in the program and must begin
16 taking deductions from the participant's gross wages for the
17 program.

18 (b) Retirement savings.--The department shall establish
19 procedures for the remittance by a participating employer of
20 payroll deductions through a qualified arrangement.

21 (c) Deductions held in trust.--All deductions collected by a
22 person from a covered employee in accordance with or under color
23 of this act that have not been properly returned by the person
24 to the covered employee shall constitute a trust fund for the
25 covered employee until contributed to the covered employee's
26 program account. The trust shall be enforceable by the covered
27 employee or the Commonwealth against the person, the person's
28 representatives and any person, other than the covered employee,
29 who knowingly or unknowingly receives any part of the fund
30 without consideration.

1 Section 1108. Withdrawals, rollovers and transfers.

2 The department shall establish procedures relating to a
3 participant's ability to make withdrawals, arrange for rollovers
4 of funds, make direct transfers from program IRAs and otherwise
5 facilitate portability of program account balances.

6 Section 1109. Distribution of funds from program.

7 (a) Procedures.--The department shall establish procedures
8 governing the distribution of funds from the program, including
9 distributions as may be permitted or required by the program or
10 any applicable provisions of Federal or State law, with the
11 following objectives:

12 (1) Maximizing financial security in retirement.

13 (2) Assisting a participant with the challenges of the
14 decumulation of savings.

15 (b) Consideration.--The department shall consider the
16 benefits, feasibility and cost-effectiveness of the following
17 when establishing the procedures under subsection (a):

18 (1) Designating a lifetime income investment product for
19 the program to provide a participant and the participant's
20 spouse with a source of retirement income for life, and, if
21 determined by the department to be prudent, to provide
22 benefits, where available, to other designated beneficiaries.

23 (2) Establishing distribution procedures for
24 participants that encourage participants to elect, in
25 combination with the designation of a lifetime income
26 investment product, that at least 50% of a participant's
27 program account balance on the date the participant attains
28 the normal retirement age be invested in the lifetime income
29 investment product.

30 Section 1110. Outreach and information.

1 The department shall develop, periodically update and
2 distribute educational content to all of the following:

3 (1) A participating employer, as follows:

4 (i) General information about the requirements and
5 procedures of the program.

6 (ii) Information describing the opportunity to and
7 benefits of a participating employer sponsoring a
8 specified tax-favored retirement plan that would exempt
9 the participating employer from the requirements of the
10 program.

11 (iii) Explanatory materials to be made available to
12 a covered employee regarding the program and the choices
13 available to the covered employee. The explanatory
14 materials shall include all required disclosures relating
15 to participating in an IRA and instructions for how to
16 enroll in the program.

17 (2) A covered employee, as follows:

18 (i) Information explaining the advantages of early
19 savings activity that benefits from compound interest.

20 (ii) Descriptions of investment options offered by
21 the program.

22 (iii) Strategies for increasing long-term financial
23 security for an individual and a family unit.

24 (3) A participant, as follows:

25 (i) Information that will assist a participant in
26 the prudent decumulation of savings during retirement.

27 (ii) Descriptions of asset distribution products
28 that may provide predictable and fixed income for a
29 period of time, including for all or a portion of the
30 retirements of the participant and the participant's

1 spouse.

2 Section 1111. Contributions, interest and investment earnings.

3 (a) Ownership.--A participant shall be the owner of the
4 contributions, interest and investment earnings in the
5 associated program account. The Commonwealth or the
6 participating employer may not have any proprietary interest in
7 the contributions, interest or investment earnings.

8 (b) Prohibited uses.--The department shall ensure that no
9 assets of the program are used for purposes other than the
10 following:

11 (1) Paying benefits to a participant.

12 (2) Paying the cost of administering the program.

13 (3) Making investments for the benefit of a participant
14 and the program.

15 (c) Prohibited transfers.--The General Assembly may not
16 transfer contributions in an IRA under the program, or the
17 interest or investment earnings of any associated program
18 accounts, to the General Fund or another Commonwealth fund or
19 otherwise encumber or use the contributions, interest or
20 investment earnings for a purpose other than the ones specified
21 under this section.

22 (d) Procedures.--The department shall establish procedures
23 to allocate interest, investment earnings and investment losses
24 to the program account of a participant. A participant's
25 retirement savings benefit under the program shall be an amount
26 equal to the balance in the participant's account on the date
27 the retirement savings benefit becomes payable.

28 Section 1112. Duties and liability of Commonwealth.

29 (a) Excess amounts.--The Commonwealth shall have no duty or
30 liability to a person for the payment of any amount in excess of

1 the amount of a participant's retirement savings benefit and the
2 amount shall be made available to the participant or beneficiary
3 in accordance with the requirements of the program and the
4 Internal Revenue Code.

5 (b) Losses or deficiencies.--A Commonwealth agency,
6 commission or board or any officer, employee or member of a
7 Commonwealth agency, commission or board shall not be liable for
8 the loss or deficiency resulting from particular investments
9 selected under this act, except for liability that arises out of
10 a breach of fiduciary duty under section 901 as determined by a
11 competent court of law.

12 Section 1113. Protection from liability for employers.

13 (a) Liability.--A participating employer or another employer
14 shall not be liable for any of the following:

15 (1) An employee's decision to participate in or opt out
16 of the program.

17 (2) The investment decision of a participant or the
18 department.

19 (3) The administration, investment, investment returns
20 or investment performance of the program, including any
21 interest rate or other rate of return on any contribution or
22 account balance.

23 (4) The design of the program or benefits paid to a
24 participant.

25 (5) An individual's awareness of or compliance with the
26 conditions and other provisions of Federal and State tax laws
27 that determine whether the individual is eligible to make
28 tax-favored contributions to IRAs, including the amount of
29 the contributions and the time frame and manner of the
30 contributions.

1 (6) A loss, a failure to realize any gain or any other
2 adverse consequences, including adverse tax consequences or a
3 loss of favorable tax treatment, public assistance or other
4 benefits incurred by an individual resulting from
5 participating in the program.

6 (b) Fiduciaries.--A participating employer or another
7 employer shall not be a fiduciary in relation to the program or
8 any other arrangement under the program.

9 Section 1114. Risk management.

10 (a) Program.--The department shall annually prepare and
11 adopt a written risk management and oversight program as a part
12 of the investment policies of the department developed under
13 section 902. The risk management and oversight program shall be
14 designed to:

15 (1) ensure that an effective risk management system is
16 in place to monitor the risk levels of the program and
17 program fund portfolio;

18 (2) ensure that the risks taken are prudent and properly
19 managed;

20 (3) provide an integrated process for overall risk
21 management; and

22 (4) assess investment returns and risks to determine if
23 the risks taken are adequately compensated compared to
24 applicable performance benchmarks and standards.

25 (b) Insurance.--In preparing the risk management and
26 oversight program under subsection (a), the department shall
27 evaluate whether to obtain insurance against any and all losses
28 in connection with the property, assets or activities of the
29 program.

30 Section 1115. Audit and reports.

1 (a) Reports to Governor and General Assembly.--The
2 department shall annually submit the following reports to the
3 Governor and the General Assembly:

4 (1) An audited financial report, prepared by the Auditor
5 General in accordance with generally accepted accounting
6 principles, of the program by July 1 of each calendar year
7 for the prior calendar year.

8 (2) A report prepared by the department, which shall
9 include, but not be limited to, the following:

10 (i) A summary of the benefits provided by the
11 program, including the number of participants and
12 participating employers in the program.

13 (ii) The percentage and amount of funds in the
14 program's investment options and rates of return, net of
15 fees.

16 (iii) Any other information that is relevant to make
17 a full, fair and effective disclosure of the operations
18 of the program and the program fund.

19 (b) Reports to participating employers.--In addition to
20 other statements or reports required by Federal or State law, at
21 least annually, the department shall provide a report to each
22 participating employer that contains a list of the names of each
23 participant employed by the participating employer and the
24 amounts of deductions taken by the participating employer and
25 contributed to the program on behalf of each participant during
26 the reporting period.

27 (c) Reports to participants.--In addition to other
28 statements or reports required by Federal or State law, the
29 department shall provide the following to each participant:

30 (1) At least annually, a report of contributions and

1 investment income allocated and withdrawals from and balances
2 in the participant's account for the reporting period,
3 including, but not limited to, the participant's rate of
4 contribution and any change in the rate of contribution
5 during the preceding calendar year or as required under
6 section 1102(b)(4).

7 (2) At least quarterly, all of the following:

8 (i) The account balance in a participant's program
9 account, including the value of the participant's
10 investment in each investment option selected by the
11 participant.

12 (ii) The investment options available to a
13 participant and the process by which a participant may
14 select from the investment options for the participant's
15 contributions to the program.

16 (iii) The amount of fees charged to a participant
17 program account and a description of the services to
18 which each charge relates.

19 (iv) An estimate of the amount of income the
20 participant's program account could reasonably be
21 expected to generate over the course of the participant's
22 retirement, based upon reasonable assumptions.

23 (d) Additional information.--The department may include any
24 other information in the reports under subsection (c) regarding
25 the program as the department may determine appropriate and
26 useful.

27 Section 1116. Confidentiality of information.

28 Notwithstanding any other provision of law, account
29 information under the program relating to a participant,
30 including, but not limited to, the participant's name, address,

1 telephone number, email address, personal identification
2 information, investments, contributions and earnings, shall be
3 confidential and shall be maintained by the department and the
4 department's agents as confidential, except in any of the
5 following circumstances:

6 (1) It is necessary to administer the program in a
7 manner consistent with this act or Federal or State tax laws.

8 (2) The participant who provides the information or is
9 the subject of the information expressly agrees in writing to
10 the disclosure of the information.

11 (3) The information is demanded pursuant to a subpoena,
12 court order or other legal obligation.

13 Section 1117. Temporary regulations.

14 (a) Promulgation.--In order to facilitate the prompt
15 implementation of this act, the department may promulgate
16 temporary regulations that shall expire not later than two years
17 after publication of the temporary regulations in the
18 Pennsylvania Bulletin. The promulgated temporary regulations
19 shall not be subject to any of the following:

20 (1) Section 612 of the act of April 9, 1929 (P.L.177,
21 No.175), known as The Administrative Code of 1929.

22 (2) Sections 201, 202, 203, 204 and 205 of the act of
23 July 31, 1968 (P.L.769, No.240), referred to as the
24 Commonwealth Documents Law.

25 (3) Sections 204(b) and 301(10) of the act of October
26 15, 1980 (P.L.950, No.164), known as the Commonwealth
27 Attorneys Act.

28 (4) The act of June 25, 1982 (P.L.633, No.181), known as
29 the Regulatory Review Act.

30 (b) Expiration.--The authority of the department to

1 promulgate temporary regulations under subsection (a) shall
2 expire two years after the effective date of this section.

3 CHAPTER 13

4 (Reserved)

5 CHAPTER 15

6 MISCELLANEOUS PROVISIONS

7 Section 1501. Regulations.

8 The department shall promulgate regulations and adopt
9 policies or guidelines as necessary to implement this act.

10 Section 1502. Provision of information.

11 The Department of Labor and Industry and other State agencies
12 shall coordinate, cooperate and share data and information with
13 the department to facilitate implementation of this act.

14 Section 1503. Notice of program implementation.

15 (a) Publication.--Upon the implementation of the program in
16 accordance with this act, the department shall submit a notice
17 to the Legislative Reference Bureau for publication in the
18 Pennsylvania Bulletin.

19 (b) Internet posting.--The department shall post a notice of
20 the date of implementation of the program on the department's
21 publicly accessible Internet website. The notice shall include a
22 statement that in lieu of enrolling employees in the program
23 employers may sponsor an alternative arrangement, including, but
24 not limited to, a defined benefit plan, 401(k) plan, simplified
25 employee pension (SEP) plan, savings incentive match plan for
26 employees (SIMPLE) or automatic payroll deduction IRA offered
27 through a private provider.

28 Section 1504. Effective date.

29 This act shall take effect immediately.