
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

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INTRODUCED BY PEIFER, DRISCOLL, CIRESI, SCHLEGEL CULVER,
T. DAVIS, DAY, DeLUCA, GILLEN, HERSHEY, JAMES, MILLARD,
NEILSON, PICKETT, SCHLOSSBERG, SOLOMON, THOMAS, TOEPEL,
WARREN AND YOUNGBLOOD, MARCH 10, 2020

REFERRED TO COMMITTEE ON FINANCE, MARCH 10, 2020

AN ACT

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

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6 The General Assembly of the Commonwealth of Pennsylvania
7 hereby enacts as follows:

8 CHAPTER 1

9 PRELIMINARY PROVISIONS

10 Section 101. Short title.

11 This act shall be known and may be cited as the Keystone
12 Saves Program Act.

13 Section 102. Legislative intent (Reserved).

14 Section 103. Definitions.

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

18 "Administrative fund." The Keystone Saves Program
19 Administrative Fund established under section 303.

20 "Board." The Keystone Saves Program Advisory Board
21 established under section 501.

22 "Calendar quarter." Any of the following periods:

- 23 (1) January 1 to March 31 of each year.
24 (2) April 1 to June 30 of each year.
25 (3) July 1 to September 30 of each year.
26 (4) October 1 to December 31 of each year.

27 "Covered employee." As follows:

- 28 (1) An individual who:
29 (i) is employed by a participating employer;
30 (ii) has wages or other compensation that are

1 allocable to the Commonwealth; and

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

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

4 (i) An employee covered under the Railway Labor Act
5 (Public Law 69-257, 44 Stat. 577).

6 (ii) An employee on whose behalf an employer makes
7 contributions to a multiemployer pension trust fund.

8 (iii) An employee of the Federal Government.

9 (iv) An employee of this Commonwealth or any other
10 state.

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

14 "Covered employer." As follows:

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

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

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

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

24 (B) for at least six months of the preceding
25 calendar year.

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

28 (iii) An employer that maintains or contributes to a
29 specified tax-favored retirement plan for the employer's
30 employees or has done so effective in form and operation

1 at any time within the current or two preceding calendar
2 years. If an employer does not maintain a specified tax-
3 favored retirement plan for a portion of a calendar year
4 ending on or after the effective date of this definition
5 and adopts a specified tax-favored retirement plan for
6 the remainder of the calendar year, the employer is not
7 included in this term for the remainder of the calendar
8 year.

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

10 "ERISA." The Employee Retirement Income Security Act of 1974
11 (Public Law 93-406, 88 Stat. 829).

12 "Fund." The Keystone Saves Program Fund established under
13 section 302.

14 "Internal Revenue Code." The Internal Revenue Code of 1986
15 (Public Law 99-514, 26 U.S.C. § 1 et seq.).

16 "IRA." An individual retirement account or individual
17 retirement annuity, including a traditional IRA or a Roth IRA,
18 under one of the following sections of the Internal Revenue
19 Code:

20 (1) Section 408(a) or (b).

21 (2) Section 408A.

22 "Participant." An individual who is contributing to an IRA
23 under the program or has an IRA account balance under the
24 program.

25 "Participating employer." An employer that participates in
26 the program, including a covered employer and a noncovered
27 employer that voluntarily participates in the program.

28 "Program." The Keystone Saves Program established under
29 section 301.

30 "Qualified payroll deposit retirement savings arrangement" or

1 "Qualified arrangement." An arrangement by which an employer
2 allows employees to contribute to an IRA by processing payroll
3 deductions and contributing the deductions to the program in
4 accordance with section 1102.

5 "Roth IRA." A Roth individual retirement account or
6 individual retirement annuity under section 408A of the Internal
7 Revenue Code.

8 "Specified tax-favored retirement plan." A retirement plan
9 that is tax-qualified under or satisfies the requirements of
10 section 401(a) or (k), 403(a) or (b) or 408(k) or (p) of the
11 Internal Revenue Code.

12 "Total fees and expenses." All fees, costs and expenses of
13 operating the program, including, but not limited to, any of the
14 following:

- 15 (1) Initial planning and organizational costs.
- 16 (2) Administrative expenses.
- 17 (3) Investment expenses.
- 18 (4) Investment advice expenses.
- 19 (5) Accounting costs, actuarial costs, legal costs,
20 marketing expenses, education expenses, trading costs,
21 insurance annuitization costs and other costs reasonably
22 related to the program.

23 "Traditional IRA." A traditional individual retirement
24 account or traditional individual retirement annuity under
25 section 408(a) or (b) of the Internal Revenue Code.

26 CHAPTER 3

27 KEYSTONE SAVES PROGRAM

28 Section 301. Establishment of program.

29 There is established a retirement savings program in the form
30 of an automatic enrollment payroll deduction IRA, known as the

1 Keystone Saves Program, within the department. The program shall
2 be administered by the department for the purposes of promoting
3 greater retirement savings for covered employees in a
4 convenient, low-cost and portable manner.

5 Section 302. Keystone Saves Program Fund.

6 (a) Establishment.--The Keystone Saves Program Fund is
7 established as a special fund in the State Treasury. The
8 following shall apply:

9 (1) The fund shall be used for the exclusive benefit of
10 participants.

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

14 (3) The fund shall include the individual retirement
15 accounts of participants, which shall be accounted for as
16 individual accounts.

17 (4) Money in the fund shall include money received from
18 participants through participating employers and any gifts,
19 donations or grants made to the Commonwealth for deposit in
20 the fund.

21 (5) Investment earnings and interest that are
22 attributable to money in the fund shall be deposited in the
23 fund and credited appropriately to individual accounts.

24 (b) Amounts on deposit.--

25 (1) The money deposited in the fund does not constitute
26 property of the Commonwealth.

27 (2) The fund shall be construed to be an agency or
28 instrumentality of the Commonwealth.

29 (3) Money deposited in the fund may not be commingled
30 with Commonwealth funds.

1 (4) The Commonwealth shall have no claim to or against,
2 or interest in, the money deposited in the fund.

3 Section 303. Keystone Saves Program Administrative Fund.

4 (a) Establishment.--The Keystone Saves Program
5 Administrative Fund is established as a separate trust fund in
6 the State Treasury.

7 (b) Use of money.--The department shall use money in the
8 administrative fund to pay for start-up and ongoing
9 administrative expenses incurred in performing the duties of the
10 department under this act.

11 (c) Sources of money.--The administrative fund may receive
12 money designated for administrative purposes from the Federal
13 Government, the Commonwealth or a local government entity or in
14 the form of gifts, donations or grants made by any other person,
15 firm, partnership or corporation for deposit in the
16 administrative fund.

17 (d) Earnings and interest.--Investment earnings and interest
18 that are attributable to money in the administrative fund shall
19 be deposited into the administrative fund.

20 Section 304. Administration and funding.

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

23 (b) Administrative costs.--

24 (1) The department shall, through the Governor, annually
25 submit to the General Assembly a budget covering the total
26 fees and expenses for the program.

27 (2) Beginning three years after participants are
28 enrolled in the program and upon approval by the General
29 Assembly in an appropriation bill, total fees and expenses as
30 incurred by the program shall be paid from the fees, charges

1 and investment earnings of the fund or from other available
2 money.

3 (c) Program costs.--Total fees and expenses, inclusive of
4 investment management fees, shall not exceed 75 basis points of
5 fund assets under management, except that this limit shall not
6 apply during a three-year start-up period commencing with the
7 enrollment of participants in the program.

8 (d) Repayment of appropriation.--The department shall repay
9 to the General Fund money appropriated covering the total fees
10 and expenses for the program for the first three years of the
11 program after participants are enrolled in the program. The
12 repayment shall be made from the fees, charges, investment
13 earnings and interest of the fund within 10 years of the
14 effective date of this section.

15 CHAPTER 5

16 KEYSTONE SAVES PROGRAM ADVISORY BOARD

17 Section 501. Establishment of board.

18 The Keystone Saves Program Advisory Board is established
19 within the department.

20 Section 502. Composition of board.

21 (a) Members.--The board shall consist of the following
22 members:

23 (1) The State Treasurer or a designee.

24 (2) The following individuals appointed by the State
25 Treasurer:

26 (i) A participant.

27 (ii) An individual who has a favorable reputation
28 for advancing the interests of those individuals who are
29 approaching, or who have already achieved, retirement.

30 (iii) An individual who has a favorable reputation

1 for skill, knowledge and experience in the field of
2 retirement saving products and investments.

3 (3) The following individuals appointed by the Governor:

4 (i) An individual who has a favorable reputation for
5 skill, knowledge and experience in the field of
6 retirement saving.

7 (ii) An individual who has a favorable reputation
8 for skill, knowledge and experience in the interests of
9 employees in retirement planning and saving.

10 (iii) An individual who has a favorable reputation
11 for skill, knowledge and experience relating to the
12 interests of small businesses and employers in retirement
13 saving.

14 (4) The following individuals appointed by the President
15 pro tempore of the Senate:

16 (i) Upon the recommendation of the Majority Leader
17 of the Senate, an individual who has a favorable
18 reputation for skill, knowledge and experience in the
19 field of retirement saving.

20 (ii) Upon the recommendation of the Minority Leader
21 of the Senate, an individual who has a favorable
22 reputation for skill, knowledge and experience in the
23 field of retirement saving.

24 (5) The following individuals appointed by the Speaker
25 of the House of Representatives:

26 (i) Upon the recommendation of the Majority Leader
27 of the House of Representatives, an individual who has a
28 favorable reputation for skill, knowledge and experience
29 in the field of retirement saving.

30 (ii) Upon the recommendation of the Minority Leader

1 of the House of Representatives, an individual who has a
2 favorable reputation for skill, knowledge and experience
3 in the field of retirement saving.

4 (b) Chairperson.--The State Treasurer or designee under
5 subsection (a)(1) shall serve as the chairperson of the board.
6 Section 503. Terms of board members.

7 (a) Term generally.--Each board member appointed by the
8 State Treasurer, the President pro tempore of the Senate, the
9 Speaker of the House of Representatives and the Governor shall
10 serve a term of four years.

11 (b) Vacancy.--A vacancy on the board shall be filled for the
12 unexpired term of an appointed member of the board in the same
13 manner as the original appointment. The State Treasurer's
14 appointees under section 502(a)(2) shall be appointed 12 months
15 after initial implementation of the program and their seats
16 shall be vacant until their appointment.

17 Section 504. Meetings of board.

18 (a) Organizational meeting.--The State Treasurer or the
19 designee under section 502(a)(1) shall call the organizational
20 meeting of the board.

21 (b) Subsequent meetings.--Meetings of the board shall be
22 held at least quarterly or at the call of the chairperson.

23 Section 505. Duties of board.

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

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

26 (2) Advise the department upon request.

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

29 (4) Report annually to the Governor and to the General
30 Assembly.

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

3 Section 506. Limitations on board members.

4 A board member may not:

5 (1) Directly or indirectly have an interest in the
6 making of an investment under the program or in gains or
7 profits accruing from an investment under the program.

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

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

13 CHAPTER 7

14 DEPARTMENT POWERS AND DUTIES

15 Section 701. Powers and duties of department.

16 The department shall have the following duties:

17 (1) Administer the program and the fund.

18 (2) Enter into individual retirement account contracts
19 with individuals for the establishment of retirement savings
20 accounts.

21 (3) Contract for goods and services and employ
22 personnel, including contracts with private consultants,
23 actuaries, investment advisors and managers, record keepers,
24 legal counsel and auditors for the rendering of professional,
25 managerial and technical assistance and advice. In awarding
26 contracts for goods and services under this paragraph, the
27 department shall consider, where relevant, the following
28 regarding an applicant:

29 (i) Staffing capabilities and capacity.

30 (ii) Experience and performance in supplying similar

1 goods and services to governmental or private-sector
2 programs.

3 (iii) Reputation for preserving the confidentiality
4 and integrity of sensitive information.

5 (iv) Length of time in the current, or comparable,
6 lines of business.

7 (v) Financial strength and strong record of
8 creditworthiness.

9 (vi) Other factors as the department may deem
10 material to evaluating the suitability of the applicant
11 for any of the categories of contracts and personnel
12 described in this paragraph.

13 (4) Solicit and accept gifts, grants, loans and other
14 aid from any person, government entity, corporation or other
15 entity and participate in any Federal, State or local
16 government program that results in additional money being
17 available for establishment and implementation of the
18 program.

19 (5) Collect administrative fees and charges in
20 connection with any transaction, including continued
21 participation in the program.

22 (6) Contract for insurance, letters of credit and
23 collateral agreements.

24 (7) Solicit answers from appropriate Federal agencies
25 regarding the application of security laws or other Federal
26 laws to the program.

27 (8) Promulgate rules and regulations and develop
28 policies and procedures that the department deems necessary
29 or advisable for the implementation of this act and the
30 administration and operation of the program.

1 (9) Cause the program to be designed, established and
2 operated in a manner that:

3 (i) accords with best practices for retirement
4 saving vehicles;

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

6 (iii) encourages participation, saving, sound
7 investment practices and appropriate selection of default
8 investments;

9 (iv) maximizes simplicity and ease of administration
10 for employers;

11 (v) minimizes or eliminates costs for employers and
12 employees;

13 (vi) promotes portability of benefits;

14 (vii) complies with all applicable sections of the
15 Internal Revenue Code and regulations thereunder,
16 including ensuring that the program satisfies all
17 criteria for favorable Federal tax treatment and
18 complies, to the extent necessary, with any other
19 applicable Federal or State law;

20 (viii) ensures that accounts of participants meet
21 the requirements for an IRA under the Internal Revenue
22 Code; and

23 (ix) avoids preemption of the program by ERISA or
24 other Federal law.

25 (10) Develop and disseminate educational information to
26 educate participating employers, covered employees,
27 participants and others about the program, including all of
28 the following information:

29 (i) The benefits of planning and saving for
30 retirement.

1 (ii) How to decide on the level of participation in
2 the program and savings strategies that may be
3 appropriate, including information describing income
4 streams that might be derived from current account
5 balances and products relating to generating such income.

6 (11) Ensure that all contributions to IRAs under the
7 program may be used only to:

8 (i) pay benefits to participants under the program;

9 (ii) pay the cost of administering the program; and

10 (iii) make investments for the benefit of the

11 program and the participants. The General Assembly may
12 not transfer contributions to an IRA under the program to
13 the General Fund or another Commonwealth fund or
14 otherwise encumber or use the contributions for a purpose
15 other than one specified under this section.

16 (12) Promulgate rules to allow eligible employers who
17 are not participating employers to voluntarily participate in
18 the program, as modified for such employers as may be
19 necessary.

20 (13) Promulgate rules to allow independent contractors,
21 self-employed individuals and other workers who are not
22 covered employees to voluntarily participate in the program,
23 modified for such individuals as may be necessary.

24 (14) Make and enter into contracts, agreements or other
25 arrangements to collaborate or cooperate with other State and
26 local government agencies and governmental entities of other
27 states that maintain retirement savings programs compatible
28 with the program regarding the sharing of investment and
29 administrative functions, including prudent collective,
30 common or pooled investments with funds of other states'

1 programs, in order to achieve economies of scale and other
2 efficiencies designed to minimize costs for the program.

3 (15) Exercise any other powers reasonably necessary for
4 the effectuation of the purposes, objectives and provisions
5 of this act pertaining to this program.

6 CHAPTER 9

7 INVESTMENT AND FIDUCIARY RESPONSIBILITIES

8 Section 901. Fiduciary duties.

9 Department personnel and investment managers engaged by the
10 department shall be in a fiduciary relationship with
11 participants and shall discharge their duties with respect to
12 the program solely in the interest of participants:

13 (1) for the exclusive purposes of providing benefits to
14 participants and defraying reasonable expenses of
15 administering the program; and

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

22 Section 902. Investment policies.

23 (a) Policies.--The department shall develop and implement
24 investment policies that define the program's investment
25 objectives consistent with the objectives of the program.

26 (b) Options.--The investment policies shall guide the
27 department in identifying and making investment options
28 available to participants that are intended to provide an
29 economical income replacement balanced with an appropriate level
30 of risk in an IRA-based environment consistent with the

1 program's investment objectives. The investment options may
2 encompass a range of risk and return opportunities and allow for
3 a rate of return commensurate with an appropriate level of risk
4 consistent with the program's investment objectives.

5 (c) Recommendations.--The investment policies shall include
6 recommendations regarding the desirability of limiting
7 investment choices under the program to a reasonable number in
8 the interest of simplicity and in consideration of the extensive
9 investment choices available to participants if the participants
10 roll over to an IRA existing outside of the program. The
11 recommendations shall conform to the program objectives of
12 minimizing participant fees and administration and investment
13 expenses and maximizing participation, including identifying
14 products that may be particularly relevant for independent
15 contractors, self-employed individuals and other workers who are
16 not covered employees.

17 Section 903. Additional investment options.

18 (a) Options.--In addition to the investment options under
19 section 902(b), the department shall establish the following
20 investment options for the program:

21 (1) A life-cycle fund with a target date based upon the
22 age of the participant.

23 (2) An equity index fund.

24 (3) A bond index fund.

25 (4) A capital preservation fund.

26 (b) Distribution options.--The department may establish
27 other investment options as the department deems necessary or
28 desirable in accordance with the investment policies developed
29 under section 902(a). The department shall evaluate whether to
30 offer one or more distribution options for the program to

1 provide for a source of fixed retirement income that includes
2 spousal protection for all or a portion of a participant's
3 retirement.

4 (c) Default option.--The department shall select a default
5 investment option for participants who do not elect an
6 investment option. From time to time, the department may change
7 the default option for future participants.

8 Section 904. Investment managers.

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

11 (b) Fees and charges.--An investment manager's fees and
12 charges shall not exceed 60 basis points of fund assets under
13 management.

14 (c) Compliance.--An investment manager shall comply with
15 applicable Federal and State laws and regulations, rules,
16 policies and guidelines promulgated by the department regarding
17 the program and the investment of money in the fund, including,
18 but not limited to, investment policies.

19 (d) Oversight.--An investment manager shall provide reports
20 to and appear before department personnel as the department
21 deems necessary for the department to oversee the investment
22 manager's performance and the performance of the fund.

23 (e) Performance reviews.--The department shall periodically
24 conduct a performance review of each investment manager,
25 including a review of fees and customer service. A copy of each
26 performance review shall be made available on the department's
27 publicly accessible Internet website.

28 CHAPTER 11

29 PROGRAM IMPLEMENTATION

30 Section 1101. Commencement of program activities.

1 No later than 24 months from the effective date of this
2 section, the department shall implement the program and allow a
3 participating employer to register with the department and the
4 Department of Labor and Industry and certify that the
5 participating employer has established a qualified arrangement.
6 Nothing in this section shall be construed to prevent the
7 department from prescribing a reasonably phased schedule for
8 registration and certification that extends later than 24 months
9 from the effective date of this section or authorizes different
10 categories of participating employers to comply with the
11 registration and certification requirements by different
12 deadlines.

13 Section 1102. Qualified payroll deposit retirement savings
14 arrangements.

15 (a) Registration and certification.--No later than six
16 months after the date the program is implemented under section
17 1101, a participating employer shall register with the
18 department and certify that the participating employer has
19 established a qualified arrangement.

20 (b) Compliance.--A participating employer shall comply with
21 all of the following requirements to establish a qualified
22 arrangement:

23 (1) The participating employer shall offer a covered
24 employee the opportunity to participate in the program.

25 (2) In compliance with procedures established by the
26 department, the participating employer shall:

27 (i) Provide the department with the name and other
28 required information regarding a covered employee.

29 (ii) Provide a covered employee with department-
30 provided information regarding the program.

1 (iii) Automatically enroll a covered employee in the
2 payroll deposit retirement savings arrangement, unless
3 the covered employee opts out of the program.

4 (iv) Regularly take deductions from a participant's
5 wages and contribute the deduction to the participant's
6 program account.

7 (3) The participating employer shall allow a participant
8 to select the rate of deduction from the participant's wages
9 for the program, subject to the annual contribution limit
10 permitted by the Internal Revenue Code. For a participant who
11 fails to select a deduction rate, the participating employer
12 shall deduct a default contribution equal to 4% of wages, or
13 another default percentage as the department may prescribe
14 for the program, subject to the annual contribution limit
15 permitted by the Internal Revenue Code.

16 (4) The participating employer shall automatically
17 increase the deduction rate by an amount equal to 1% of gross
18 wages each year, or such other annual increase as the
19 department may prescribe for the program, on the anniversary
20 of the covered employee's enrollment in the program, to a
21 maximum of 8% of wages or the annual contribution limit
22 permitted by the Internal Revenue Code, whichever is greater.

23 (5) The participating employer shall allow a participant
24 to completely opt out of deductions, increase or decrease the
25 deduction rate, freeze automatic annual deduction rate
26 increases or increase the deduction rate, subject to the
27 annual contribution limit permitted by the Internal Revenue
28 Code.

29 (6) The participating employer shall allow a participant
30 to select one or more investment options from the investment

1 options offered by the department through the program. A
2 participant may change the selected investment option or
3 options at any time, subject to the program rules. For a
4 participant who does not select any investment option, the
5 deductions from the participant's wages will be invested in a
6 default option established by the department for the program.

7 (7) The participating employer shall allow a participant
8 to terminate participation in the program at any time in
9 accordance with Internal Revenue Code requirements.

10 (8) At least once each calendar year, the participating
11 employer shall provide an open enrollment period of not less
12 than two weeks during which a covered employee who previously
13 opted out of the program or who terminated prior
14 participation in the program may enroll in the program.

15 (9) The participating employer shall allow a participant
16 to roll over the program account balance into specified tax-
17 favored retirement plans or traditional IRAs.

18 (10) The participating employer may not make
19 contributions to the program.

20 (11) The participating employer may not take any actions
21 that constitute an endorsement or promotion of the
22 arrangement or the program.

23 Section 1103. Participating employer plans.

24 Nothing in this act shall prohibit a participating employer
25 from replacing a qualified arrangement with a specified tax-
26 favored retirement plan.

27 Section 1104. Roth IRAs and traditional IRAs.

28 (a) Roth IRAs.--Except as provided under subsection (b),
29 participant contributions, including contributions from a
30 participant who does not select an investment option, shall be

1 made to a Roth IRA.

2 (b) Traditional IRAs.--The department may make a traditional
3 IRA available for a participant who selects the participant's
4 investment options.

5 Section 1105. Implementation of qualified arrangements.

6 The department shall establish procedures regarding the
7 implementation of a qualified arrangement by a participating
8 employer.

9 Section 1106. Registration and certification.

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

15 (b) Registration deadlines.--Unless otherwise specified by
16 the department, the registration deadlines for a covered
17 employer to register as a participating employer shall be as
18 follows:

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

22 (2) A covered employer employing at least 50 but no more
23 than 99 employees shall register no later than 30 months
24 after the effective date of this subsection.

25 (3) A covered employer employing at least 20 but no more
26 than 49 employees shall register no later than 36 months
27 after the effective date of this subsection.

28 (4) A covered employer employing at least 10 but no more
29 than 19 employees shall register no later than 42 months
30 after the effective date of this subsection.

1 (5) 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 Section 1107. Payroll deductions.

5 (a) Payroll deduction deposits.--The department shall
6 establish procedures for payroll deduction deposits, including
7 time periods within which a participating employer must notify
8 the department of the hiring of a new covered employee, must
9 enroll the new covered employee in the program and must begin
10 taking deductions from the participant's wages for the program.

11 (b) Retirement savings.--The department shall establish
12 procedures for the payment by a participating employer of
13 payroll deductions through a payroll deposit retirement savings
14 arrangement.

15 (c) Deductions held in trust.--All deductions collected by a
16 person from a covered employee in accordance with or under color
17 of this act that have not been properly returned by the person
18 to the covered employee shall constitute a trust fund for the
19 covered employee until contributed to the covered employee's
20 program account, and the trust shall be enforceable by the
21 covered employee or the Commonwealth against the person, the
22 person's representatives and any person, other than the covered
23 employee, knowingly or unknowingly receiving any part of the
24 fund without consideration.

25 Section 1108. Withdrawals, rollovers and transfers.

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

30 Section 1109. Distribution of funds from program.

1 (a) Establishment.--The department shall establish
2 procedures governing the distribution of funds from the program,
3 including distributions as may be permitted or required by the
4 program or any applicable provisions of Federal or State laws,
5 with all of the following objectives:

6 (1) Maximizing financial security in retirement.

7 (2) Protecting spousal rights.

8 (3) Assisting a participant with the challenges of the
9 decumulation of savings.

10 (b) Consideration.--The department shall consider the
11 benefits, feasibility and cost-effectiveness of all of the
12 following when establishing the procedures under subsection (a):

13 (1) Designating a lifetime income investment product for
14 the program to provide a participant and the participant's
15 spouse with a source of retirement income for life.

16 (2) Requiring, in combination with the designation of a
17 lifetime income investment product, that at least 50% of a
18 participant's program account balance on the date the
19 participant attains the normal retirement age be invested in
20 the lifetime income investment product.

21 Section 1110. Outreach and information.

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

24 (1) A participating employer, as follows:

25 (i) General information about the requirements and
26 procedures of the program.

27 (ii) Information describing the opportunity to and
28 benefits of a participating employer sponsoring a
29 specified tax-favored retirement plan that would exempt
30 the participating employer from the requirements of the

1 program.

2 (iii) Explanatory materials for distribution to a
3 covered employee regarding the program and the choices
4 available to the covered employee. The explanatory
5 materials shall include all required disclosures relating
6 to participating in an IRA and instructions for how to
7 enroll in the program.

8 (2) A covered employee, as follows:

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

11 (ii) Descriptions of investment options offered by
12 the program.

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

15 (3) A participant, as follows:

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

18 (ii) Descriptions of asset distribution products
19 that may provide predictable and fixed income for a
20 period of time, including for all or a portion of the
21 retirements of the participant and the participant's
22 spouse.

23 Section 1111. Contributions, interest and investment earnings.

24 (a) Ownership.--A participant shall be the owner of the
25 contributions, interest and investment earnings in the
26 associated program account. The Commonwealth or the
27 participating employer may not have any proprietary interest in
28 the contributions, interest or investment earnings.

29 (b) Prohibited transfers.--The department shall ensure that
30 no assets of the program are transferred to the General Fund or

1 any other fund of the Commonwealth or otherwise encumbered or
2 used for purposes other than any of the following:

- 3 (1) Paying benefits to a participant.
- 4 (2) Paying the cost of administering the program.
- 5 (3) Making investments for the benefit of a participant
6 and the program.

7 (c) Procedures.--The department shall establish procedures
8 to allocate interest, investment earnings and investment losses
9 to the program account of a participant. A participant's
10 retirement savings benefit under the program shall be an amount
11 equal to the balance in the participant's account on the date
12 the retirement savings benefit becomes payable.

13 Section 1112. Duties and liability of Commonwealth.

14 (a) Excess amounts.--The Commonwealth shall have no duty or
15 liability to a person for the payment of any amount in excess of
16 the amount of a participant's retirement savings benefit and the
17 amount shall be made available to the participant or beneficiary
18 in accordance with the requirements of the Internal Revenue
19 Code.

20 (b) Losses or deficiencies.--A Commonwealth agency,
21 commission or board or any officer, employee or member of a
22 Commonwealth agency, commission or board shall not be liable for
23 the loss or deficiency resulting from particular investments
24 selected under this act, except for liability that arises out of
25 a breach of fiduciary duty under section 901.

26 Section 1113. Protection from liability for employers.

27 (a) Liability.--A participating employer or other employer
28 shall not be liable for any of the following:

- 29 (1) An employee's decision to participate in or opt out
30 of the program.

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

3 (3) The administration, investment, investment returns,
4 or investment performance of the program, including any
5 interest rate or other rate of return on any contribution or
6 account balance.

7 (4) The design of the program or benefits paid to a
8 participant.

9 (5) An individual's awareness of or compliance with the
10 conditions and other provisions of Federal and State tax laws
11 that determine whether the individual is eligible to make
12 tax-favored contributions to IRAs, including the amount of
13 the contributions and the time frame and manner of the
14 contributions.

15 (6) A loss, a failure to realize any gain or any other
16 adverse consequences, including adverse tax consequences or a
17 loss of favorable tax treatment, public assistance or other
18 benefits incurred by an individual resulting from
19 participating in the program.

20 (b) Fiduciaries.--A participating employer or other employer
21 shall not be a fiduciary in relation to the program or any other
22 arrangement under the program.

23 Section 1114. Risk management.

24 (a) Program.--The department shall annually prepare and
25 adopt a written risk management and oversight program as a part
26 of the department's investment policies developed under section
27 902. The risk management and oversight program shall be designed
28 to:

29 (1) ensure that an effective risk management system is
30 in place to monitor the risk levels of the program and fund

1 portfolio;

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

4 (3) provide an integrated process for overall risk
5 management; and

6 (4) assess investment returns and risks to determine if
7 the risks taken are adequately compensated compared to
8 applicable performance benchmarks and standards.

9 (b) Insurance.--In preparing the risk management and
10 oversight program, the department shall evaluate whether to
11 obtain insurance against any and all losses in connection with
12 the property, assets or activities of the program.

13 Section 1115. Audit and reports.

14 (a) Reports to Governor and General Assembly.--The
15 department shall submit annually the following reports to the
16 Governor and the General Assembly:

17 (1) An audited financial report, prepared by the Auditor
18 General in accordance with generally accepted accounting
19 principles, of the program by July 1 of each calendar year
20 for the prior calendar year.

21 (2) A report prepared by the department, which shall
22 include, but is not limited to, all of the following:

23 (i) A summary of the benefits provided by the
24 program, including the number of participants and
25 participating employers in the program.

26 (ii) The percentage and amount of funds in the
27 program's investment options and rates of return, net of
28 fees.

29 (iii) Any other information that is relevant to make
30 a full, fair and effective disclosure of the operations

1 of the program and the fund.

2 (b) Reports to participating employers.--In addition to
3 other statements or reports required by Federal or State law, at
4 least annually, the department shall provide a report to a
5 participating employer that contains a list of the names of each
6 participant employed by the participating employer and the
7 amounts of deductions taken by the participating employer and
8 contributed to the program on behalf of each participant during
9 the reporting period.

10 (c) Reports to participants.--In addition to other
11 statements or reports required by Federal or State law, the
12 department shall provide all of the following to a participant:

13 (1) At least annually, a report of contributions and
14 investment income allocated and withdrawals from and balances
15 in the participant's account for the reporting period,
16 including, but not limited to, the participant's rate of
17 contribution and any change in the rate of contribution
18 during the preceding calendar year or as required under
19 section 1102(b)(4).

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

21 (i) The account balance in a participant's program
22 account, including the value of the participant's
23 investment in each investment option selected by the
24 participant.

25 (ii) The investment options available to a
26 participant and the process by which a participant may
27 select from the investment options for the participant's
28 contributions to the program.

29 (iii) The amount of fees charged to a participant
30 program account and a description of the services to

1 which each charge relates.

2 (iv) An estimate of the amount of income the
3 participant's program account could reasonably be
4 expected to generate over the course of the participant's
5 retirement, based upon reasonable assumptions.

6 (d) Additional information.--The department may include any
7 other information in the reports under subsection (c) regarding
8 the program as the department may determine appropriate and
9 useful.

10 Section 1116. Confidentiality of information.

11 Notwithstanding any other provision of law, account
12 information under the program relating to a participant,
13 including, but not limited to, the participant's name, address,
14 telephone number, e-mail address, personal identification
15 information, investments, contributions and earnings, shall be
16 confidential and shall be maintained by the department and the
17 department's agents as confidential, except in any of the
18 following circumstances:

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

21 (2) The participant who provides the information or is
22 the subject of the information expressly agrees in writing to
23 the disclosure of the information.

24 Section 1117. Temporary regulations.

25 (a) Promulgation.--In order to facilitate the prompt
26 implementation of this act, the department and the Department of
27 Labor and Industry may promulgate temporary regulations that
28 shall expire not later than two years after the publication of
29 the temporary regulations in the Pennsylvania Bulletin. The
30 promulgated temporary regulations shall not be subject to any of

1 the following:

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

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

7 (3) Sections 204(b) and 301(10) of the act of October
8 15, 1980 (P.L.950, No.164), known as the Commonwealth
9 Attorneys Act.

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

12 (b) Expiration.--The authority of the department to
13 promulgate temporary regulations under subsection (a) shall
14 expire two years after the effective date of this section.

15 CHAPTER 13

16 (Reserved)

17 CHAPTER 15

18 MISCELLANEOUS PROVISIONS

19 Section 1501. Regulations.

20 The department shall promulgate regulations and adopt
21 policies or guidelines as necessary to implement this act. The
22 Department of Labor and Industry and other State agencies shall
23 coordinate, cooperate and share data and information with the
24 department as necessary to implement this act.

25 Section 1502. Notice of program implementation.

26 (a) Publication.--Upon the implementation of the program in
27 accordance with this act, the department shall submit a notice
28 to the Legislative Reference Bureau for publication in the
29 Pennsylvania Bulletin.

30 (b) Internet posting.--The department shall post a notice of

1 the date of implementation of the program on the department's
2 publicly accessible Internet website. The notice shall include a
3 statement that in lieu of enrolling employees in the program
4 employers may sponsor an alternative arrangement, including, but
5 not limited to, a defined benefit plan, 401(k) plan, simplified
6 employee pension (SEP) plan, savings incentive match plan for
7 employees (SIMPLE) or automatic payroll deduction IRA offered
8 through a private provider.

9 Section 1503. Effective date.

10 This act shall take effect immediately.