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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 728 Session of  
2023

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INTRODUCED BY HAYWOOD, KEARNEY, FONTANA, KANE, BREWSTER, HUGHES,  
COSTA, SCHWANK AND CAPPELLETTI, JUNE 2, 2023

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REFERRED TO FINANCE, JUNE 2, 2023

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

7 CHAPTER 1

8 PRELIMINARY PROVISIONS

9 Section 101. Short title.

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

12 Section 102. Legislative intent (Reserved).

13 Section 103. Definitions.

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

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

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

21 "Covered employee." As follows:

22 (1) An individual who:

23 (i) is employed by a participating employer;

24 (ii) has wages or other compensation that are  
25 allocable to the Commonwealth; and

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

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

28 (i) An employee covered under 45 U.S.C. Ch. 8  
29 (relating to railway labor).

30 (ii) An employee on whose behalf an employer makes

1 contributions to a multiemployer pension trust fund.

2 (iii) An employee of the Federal Government.

3 (iv) An employee of this Commonwealth or any other  
4 state.

5 (v) An employee of a political subdivision,  
6 municipal corporation or school district in this  
7 Commonwealth or any other state.

8 "Covered employer." As follows:

9 (1) A person engaged in a business, industry,  
10 profession, trade or other enterprise in this Commonwealth  
11 that employs individuals, whether for profit or not for  
12 profit.

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

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

15 (A) as of July 1 or later of a current calendar  
16 year, for at least six months of that calendar year;  
17 and

18 (B) for at least six months of the preceding  
19 calendar year.

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

22 (iii) An employer that maintains or contributes to a  
23 specified tax-favored retirement plan for the employer's  
24 employees or has done so effective in form and operation  
25 at any time within the current or two preceding calendar  
26 years. If an employer does not maintain a specified tax-  
27 favored retirement plan for a portion of a calendar year  
28 ending on or after the effective date of this definition  
29 and adopts a specified tax-favored retirement plan for  
30 the remainder of the calendar year, the employer is not

1 included in this term for the remainder of the calendar  
2 year.

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

4 "ERISA." 29 U.S.C. Ch. 18 (relating to Employee Retirement  
5 Income Security Program).

6 "Fund." The Keystone Saves Program Fund established under  
7 section 302.

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

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

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

15 (2) Section 408A.

16 "Participant." An individual who is contributing to an IRA  
17 under the program or has an IRA account balance under the  
18 program.

19 "Participating employer." An employer that participates in  
20 the program, including a covered employer and a noncovered  
21 employer that voluntarily participates in the program.

22 "Program." The Keystone Saves Program established under  
23 section 301.

24 "Qualified payroll deposit retirement savings arrangement" or  
25 "qualified arrangement." An arrangement by which an employer  
26 allows employees to contribute to an IRA by processing payroll  
27 deductions and contributing the deductions to the program in  
28 accordance with section 1102.

29 "Roth IRA." A Roth individual retirement account or  
30 individual retirement annuity under section 408A of the Internal

1 Revenue Code.

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

6 "Total fees and expenses." All fees, costs and expenses of  
7 operating the program, including, but not limited to, any of the  
8 following:

9 (1) Initial planning and organizational costs.

10 (2) Administrative expenses.

11 (3) Investment expenses.

12 (4) Investment advice expenses.

13 (5) Accounting costs, actuarial costs, legal costs,  
14 marketing expenses, education expenses, trading costs,  
15 insurance annuitization costs and other costs reasonably  
16 related to the program.

17 "Traditional IRA." A traditional individual retirement  
18 account or traditional individual retirement annuity under  
19 section 408(a) or (b) of the Internal Revenue Code.

20 CHAPTER 3

21 KEYSTONE SAVES PROGRAM

22 Section 301. Establishment of program.

23 A retirement savings program in the form of an automatic  
24 enrollment payroll deduction IRA, known as the Keystone Saves  
25 Program, is established within the department. The program shall  
26 be administered by the department for the purposes of promoting  
27 greater retirement savings for covered employees in a  
28 convenient, low-cost and portable manner.

29 Section 302. Keystone Saves Program Fund.

30 (a) Establishment.--The Keystone Saves Program Fund is

1 established as a fund in the State Treasury. The following shall  
2 apply:

3 (1) The fund shall be used for the exclusive benefit of  
4 participants.

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

8 (3) The fund shall include the individual retirement  
9 accounts of participants, which shall be accounted for as  
10 individual accounts.

11 (4) Money in the fund shall include money received from  
12 participants through participating employers and any gifts,  
13 donations or grants made to the Commonwealth for deposit in  
14 the fund.

15 (5) Investment earnings and interest that are  
16 attributable to money in the fund shall be deposited into the  
17 fund and credited appropriately to individual accounts.

18 (b) Amounts on deposit.--

19 (1) The money deposited into the fund does not  
20 constitute property of the Commonwealth.

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

23 (3) Money deposited into the fund may not be commingled  
24 with Commonwealth funds.

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

27 Section 303. Keystone Saves Program Administrative Fund.

28 (a) Establishment.--The Keystone Saves Program  
29 Administrative Fund is established as a separate trust fund in  
30 the State Treasury.

1 (b) Use of money.--The department shall use money in the  
2 administrative fund to pay for start-up and ongoing  
3 administrative expenses incurred in performing the duties of the  
4 department under this act.

5 (c) Sources of money.--The administrative fund may receive  
6 money designated for administrative purposes from the Federal  
7 Government, the Commonwealth or a local government entity or in  
8 the form of gifts, donations or grants made by any other person,  
9 firm, partnership or corporation for deposit in the  
10 administrative fund.

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

14 Section 304. Administration and funding.

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

17 (b) Administrative costs.--

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

21 (2) Beginning three years after participants are  
22 enrolled in the program and upon approval by the General  
23 Assembly in an appropriation bill, total fees and expenses as  
24 incurred by the program shall be paid from the fees, charges  
25 and investment earnings of the fund or from other available  
26 money.

27 (c) Program costs.--Total fees and expenses, inclusive of  
28 investment management fees, shall not exceed 75 basis points of  
29 fund assets under management, except that this limit shall not  
30 apply during a three-year start-up period commencing with the



1 enrollment of participants in the program.

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

9 CHAPTER 5

10 KEYSTONE SAVES PROGRAM ADVISORY BOARD

11 Section 501. Establishment of board.

12 The Keystone Saves Program Advisory Board is established  
13 within the department.

14 Section 502. Composition of board.

15 (a) Members.--The board shall consist of the following  
16 members:

17 (1) The State Treasurer or a designee.

18 (2) The following individuals appointed by the State  
19 Treasurer:

20 (i) A participant.

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

24 (iii) An individual who has a favorable reputation  
25 for skill, knowledge and experience in the field of  
26 retirement saving products and investments.

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

28 (i) An individual who has a favorable reputation for  
29 skill, knowledge and experience in the field of  
30 retirement saving.

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

4           (iii) An individual who has a favorable reputation  
5 for skill, knowledge and experience relating to the  
6 interests of small businesses and employers in retirement  
7 saving.

8           (4) The following individuals appointed by the President  
9 pro tempore of the Senate:

10           (i) Upon the recommendation of the Majority Leader  
11 of the Senate, an individual who has a favorable  
12 reputation for skill, knowledge and experience in the  
13 field of retirement saving.

14           (ii) Upon the recommendation of the Minority Leader  
15 of the Senate, an individual who has a favorable  
16 reputation for skill, knowledge and experience in the  
17 field of retirement saving.

18           (5) The following individuals appointed by the Speaker  
19 of the House of Representatives:

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

24           (ii) Upon the recommendation of the Minority Leader  
25 of the House of Representatives, an individual who has a  
26 favorable reputation for skill, knowledge and experience  
27 in the field of retirement saving.

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

1 (a) Term generally.--Each board member appointed by the  
2 State Treasurer, the President pro tempore of the Senate, the  
3 Speaker of the House of Representatives and the Governor shall  
4 serve a term of four years.

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

11 Section 504. Meetings of board.

12 (a) Organizational meeting.--The State Treasurer or the  
13 designee under section 502(a)(1) shall call the organizational  
14 meeting of the board.

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

17 Section 505. Duties of board.

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

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

20 (2) Advise the department upon request.

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

23 (4) Report annually to the Governor and to the General  
24 Assembly.

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

27 Section 506. Limitations on board members.

28 A board member may not:

29 (1) Directly or indirectly have an interest in the  
30 making of an investment under the program or in gains or

1 profits accruing from an investment under the program.

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

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

7 CHAPTER 7

8 DEPARTMENT POWERS AND DUTIES

9 Section 701. Powers and duties of department.

10 The department shall have the following duties:

11 (1) Administer the program and the fund.

12 (2) Enter into individual retirement account contracts  
13 with individuals for the establishment of retirement savings  
14 accounts.

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

23 (i) Staffing capabilities and capacity.

24 (ii) Experience and performance in supplying similar  
25 goods and services to governmental or private-sector  
26 programs.

27 (iii) Reputation for preserving the confidentiality  
28 and integrity of sensitive information.

29 (iv) Length of time in the current, or comparable,  
30 lines of business.

1           (v) Financial strength and strong record of  
2           creditworthiness.

3           (vi) Other factors as the department may deem  
4           material to evaluating the suitability of the applicant  
5           for any of the categories of contracts and personnel  
6           described in this paragraph.

7           (4) Solicit and accept gifts, grants, loans and other  
8           aid from any person, government entity, corporation or other  
9           entity and participate in any Federal, State or local  
10          government program that results in additional money being  
11          available for establishment and implementation of the  
12          program.

13          (5) Collect administrative fees and charges in  
14          connection with any transaction, including continued  
15          participation in the program.

16          (6) Contract for insurance, letters of credit and  
17          collateral agreements.

18          (7) Solicit answers from appropriate Federal agencies  
19          regarding the application of security laws or other Federal  
20          laws to the program.

21          (8) Promulgate rules and regulations and develop  
22          policies and procedures that the department deems necessary  
23          or advisable for the implementation of this act and the  
24          administration and operation of the program.

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

27                (i) accords with best practices for retirement  
28                saving vehicles;

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

30                (iii) encourages participation, saving, sound

1 investment practices and appropriate selection of default  
2 investments;

3 (iv) maximizes simplicity and ease of administration  
4 for employers;

5 (v) minimizes or eliminates costs for employers and  
6 employees;

7 (vi) promotes portability of benefits;

8 (vii) complies with all applicable sections of the  
9 Internal Revenue Code and regulations thereunder,  
10 including ensuring that the program satisfies all  
11 criteria for favorable Federal tax treatment and  
12 complies, to the extent necessary, with any other  
13 applicable Federal or State law;

14 (viii) ensures that accounts of participants meet  
15 the requirements for an IRA under the Internal Revenue  
16 Code; and

17 (ix) avoids preemption of the program by ERISA or  
18 other Federal law.

19 (10) Develop and disseminate educational information to  
20 educate participating employers, covered employees,  
21 participants and others about the program, including all of  
22 the following information:

23 (i) The benefits of planning and saving for  
24 retirement.

25 (ii) How to decide on the level of participation in  
26 the program and savings strategies that may be  
27 appropriate, including information describing income  
28 streams that might be derived from current account  
29 balances and products relating to generating such income.

30 (11) Ensure that all contributions to IRAs under the

1 program may be used only to:

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

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

4 (iii) make investments for the benefit of the

5 program and the participants. The General Assembly may

6 not transfer contributions to an IRA under the program to

7 the General Fund or another Commonwealth fund or

8 otherwise encumber or use the contributions for a purpose

9 other than one specified under this section.

10 (12) Promulgate rules to allow eligible employers who

11 are not participating employers to voluntarily participate in

12 the program, as modified for such employers as may be

13 necessary.

14 (13) Promulgate rules to allow independent contractors,

15 self-employed individuals and other workers who are not

16 covered employees to voluntarily participate in the program,

17 modified for such individuals as may be necessary.

18 (14) Make and enter into contracts, agreements or other

19 arrangements to collaborate or cooperate with other State and

20 local government agencies and governmental entities of other

21 states that maintain retirement savings programs compatible

22 with the program regarding the sharing of investment and

23 administrative functions, including prudent collective,

24 common or pooled investments with funds of other states'

25 programs, in order to achieve economies of scale and other

26 efficiencies designed to minimize costs for the program.

27 (15) Exercise any other powers reasonably necessary for

28 the effectuation of the purposes, objectives and provisions

29 of this act pertaining to this program.

30 CHAPTER 9

1 INVESTMENT AND FIDUCIARY RESPONSIBILITIES

2 Section 901. Fiduciary duties.

3 Department personnel and investment managers engaged by the  
4 department shall be in a fiduciary relationship with  
5 participants and shall discharge their duties with respect to  
6 the program solely in the interest of participants:

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

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

16 Section 902. Investment policies.

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

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

29 (c) Recommendations.--The investment policies shall include  
30 recommendations regarding the desirability of limiting



1 investment choices under the program to a reasonable number in  
2 the interest of simplicity and in consideration of the extensive  
3 investment choices available to participants if the participants  
4 roll over to an IRA existing outside of the program. The  
5 recommendations shall conform to the program objectives of  
6 minimizing participant fees and administration and investment  
7 expenses and maximizing participation, including identifying  
8 products that may be particularly relevant for independent  
9 contractors, self-employed individuals and other workers who are  
10 not covered employees.

11 Section 903. Additional investment options.

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

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

17 (2) An equity index fund.

18 (3) A bond index fund.

19 (4) A capital preservation fund.

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

28 (c) Default option.--The department shall select a default  
29 investment option for participants who do not elect an  
30 investment option. From time to time, the department may change

1 the default option for future participants.

2 Section 904. Investment managers.

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

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

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

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

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

22 CHAPTER 11

23 PROGRAM IMPLEMENTATION

24 Section 1101. Commencement of program activities.

25 No later than 24 months from the effective date of this  
26 section, the department shall implement the program and allow a  
27 participating employer to register with the department and the  
28 Department of Labor and Industry and certify that the  
29 participating employer has established a qualified arrangement.  
30 Nothing in this section shall be construed to prevent the

1 department from prescribing a reasonably phased schedule for  
2 registration and certification that extends later than 24 months  
3 from the effective date of this section or authorizes different  
4 categories of participating employers to comply with the  
5 registration and certification requirements by different  
6 deadlines.

7 Section 1102. Qualified payroll deposit retirement savings  
8 arrangements.

9 (a) Registration and certification.--No later than six  
10 months after the date the program is implemented under section  
11 1101, a participating employer shall register with the  
12 department and certify that the participating employer has  
13 established a qualified arrangement.

14 (b) Compliance.--A participating employer shall comply with  
15 all of the following requirements to establish a qualified  
16 arrangement:

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

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

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

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

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 wages and contribute the deduction to the participant's  
30 program account.

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

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

17           (5) The participating employer shall allow a participant  
18 to completely opt out of deductions, increase or decrease the  
19 deduction rate, freeze automatic annual deduction rate  
20 increases or increase the deduction rate, subject to the  
21 annual contribution limit permitted by the Internal Revenue  
22 Code.

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

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

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

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

12 (10) The participating employer may not make  
13 contributions to the program.

14 (11) The participating employer may not take any actions  
15 that constitute an endorsement or promotion of the  
16 arrangement or the program.

17 Section 1103. Participating employer plans.

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

21 Section 1104. Roth IRAs and traditional IRAs.

22 (a) Roth IRAs.--Except as provided under subsection (b),  
23 participant contributions, including contributions from a  
24 participant who does not select an investment option, shall be  
25 made to a Roth IRA.

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

29 Section 1105. Implementation of qualified arrangements.

30 The department shall establish procedures regarding the

1 implementation of a qualified arrangement by a participating  
2 employer.

3 Section 1106. Registration and certification.

4 (a) Procedures.--The department shall establish procedures  
5 for a participating employer to register in the program and  
6 provide such registration information to the department. A  
7 participating employer shall certify to the department  
8 implementation of qualified arrangements.

9 (b) Registration deadlines.--Unless otherwise specified by  
10 the department, the registration deadlines for a covered  
11 employer to register as a participating employer shall be as  
12 follows:

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

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

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

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

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

28 Section 1107. Payroll deductions.

29 (a) Payroll deduction deposits.--The department shall  
30 establish procedures for payroll deduction deposits, including

1 time periods within which a participating employer must notify  
2 the department of the hiring of a new covered employee, must  
3 enroll the new covered employee in the program and must begin  
4 taking deductions from the participant's wages for the program.

5 (b) Retirement savings.--The department shall establish  
6 procedures for the payment by a participating employer of  
7 payroll deductions through a payroll deposit retirement savings  
8 arrangement.

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

19 Section 1108. Withdrawals, rollovers and transfers.

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

24 Section 1109. Distribution of funds from program.

25 (a) Establishment.--The department shall establish  
26 procedures governing the distribution of funds from the program,  
27 including distributions as may be permitted or required by the  
28 program or any applicable provisions of Federal or State laws,  
29 with all of the following objectives:

30 (1) Maximizing financial security in retirement.

1 (2) Protecting spousal rights.

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

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

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

10 (2) Requiring, in combination with the designation of a  
11 lifetime income investment product, that at least 50% of a  
12 participant's program account balance on the date the  
13 participant attains the normal retirement age be invested in  
14 the lifetime income investment product.

15 Section 1110. Outreach and information.

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

18 (1) A participating employer, as follows:

19 (i) General information about the requirements and  
20 procedures of the program.

21 (ii) Information describing the opportunity to and  
22 benefits of a participating employer sponsoring a  
23 specified tax-favored retirement plan that would exempt  
24 the participating employer from the requirements of the  
25 program.

26 (iii) Explanatory materials for distribution to a  
27 covered employee regarding the program and the choices  
28 available to the covered employee. The explanatory  
29 materials shall include all required disclosures relating  
30 to participating in an IRA and instructions for how to



1 enroll in the program.

2 (2) A covered employee, as follows:

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

5 (ii) Descriptions of investment options offered by  
6 the program.

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

9 (3) A participant, as follows:

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

12 (ii) Descriptions of asset distribution products  
13 that may provide predictable and fixed income for a  
14 period of time, including for all or a portion of the  
15 retirements of the participant and the participant's  
16 spouse.

17 Section 1111. Contributions, interest and investment earnings.

18 (a) Ownership.--A participant shall be the owner of the  
19 contributions, interest and investment earnings in the  
20 associated program account. The Commonwealth or the  
21 participating employer may not have any proprietary interest in  
22 the contributions, interest or investment earnings.

23 (b) Prohibited transfers.--The department shall ensure that  
24 no assets of the program are transferred to the General Fund or  
25 any other fund of the Commonwealth or otherwise encumbered or  
26 used for purposes other than any of the following:

27 (1) Paying benefits to a participant.

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

29 (3) Making investments for the benefit of a participant  
30 and the program.

1 (c) Procedures.--The department shall establish procedures  
2 to allocate interest, investment earnings and investment losses  
3 to the program account of a participant. A participant's  
4 retirement savings benefit under the program shall be an amount  
5 equal to the balance in the participant's account on the date  
6 the retirement savings benefit becomes payable.

7 Section 1112. Duties and liability of Commonwealth.

8 (a) Excess amounts.--The Commonwealth shall have no duty or  
9 liability to a person for the payment of any amount in excess of  
10 the amount of a participant's retirement savings benefit and the  
11 amount shall be made available to the participant or beneficiary  
12 in accordance with the requirements of the Internal Revenue  
13 Code.

14 (b) Losses or deficiencies.--A Commonwealth agency,  
15 commission or board or any officer, employee or member of a  
16 Commonwealth agency, commission or board shall not be liable for  
17 the loss or deficiency resulting from particular investments  
18 selected under this act, except for liability that arises out of  
19 a breach of fiduciary duty under section 901.

20 Section 1113. Protection from liability for employers.

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

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

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

27 (3) The administration, investment, investment returns,  
28 or investment performance of the program, including any  
29 interest rate or other rate of return on any contribution or  
30 account balance.

1 (4) The design of the program or benefits paid to a  
2 participant.

3 (5) An individual's awareness of or compliance with the  
4 conditions and other provisions of Federal and State tax laws  
5 that determine whether the individual is eligible to make  
6 tax-favored contributions to IRAs, including the amount of  
7 the contributions and the time frame and manner of the  
8 contributions.

9 (6) A loss, a failure to realize any gain or any other  
10 adverse consequences, including adverse tax consequences or a  
11 loss of favorable tax treatment, public assistance or other  
12 benefits incurred by an individual resulting from  
13 participating in the program.

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

17 Section 1114. Risk management.

18 (a) Program.--The department shall annually prepare and  
19 adopt a written risk management and oversight program as a part  
20 of the department's investment policies developed under section  
21 902. The risk management and oversight program shall be designed  
22 to:

23 (1) ensure that an effective risk management system is  
24 in place to monitor the risk levels of the program and fund  
25 portfolio;

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

28 (3) provide an integrated process for overall risk  
29 management; and

30 (4) assess investment returns and risks to determine if

1 the risks taken are adequately compensated compared to  
2 applicable performance benchmarks and standards.

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

7 Section 1115. Audit and reports.

8 (a) Reports to Governor and General Assembly.--The  
9 department shall submit annually the following reports to the  
10 Governor and the General Assembly:

11 (1) An audited financial report, prepared by the Auditor  
12 General in accordance with generally accepted accounting  
13 principles, of the program by July 1 of each calendar year  
14 for the prior calendar year.

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

17 (i) A summary of the benefits provided by the  
18 program, including the number of participants and  
19 participating employers in the program.

20 (ii) The percentage and amount of funds in the  
21 program's investment options and rates of return, net of  
22 fees.

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

26 (b) Reports to participating employers.--In addition to  
27 other statements or reports required by Federal or State law, at  
28 least annually, the department shall provide a report to a  
29 participating employer that contains a list of the names of each  
30 participant employed by the participating employer and the

1 amounts of deductions taken by the participating employer and  
2 contributed to the program on behalf of each participant during  
3 the reporting period.

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

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

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

15 (i) The account balance in a participant's program  
16 account, including the value of the participant's  
17 investment in each investment option selected by the  
18 participant.

19 (ii) The investment options available to a  
20 participant and the process by which a participant may  
21 select from the investment options for the participant's  
22 contributions to the program.

23 (iii) The amount of fees charged to a participant  
24 program account and a description of the services to  
25 which each charge relates.

26 (iv) An estimate of the amount of income the  
27 participant's program account could reasonably be  
28 expected to generate over the course of the participant's  
29 retirement, based upon reasonable assumptions.

30 (d) Additional information.--The department may include any

1 other information in the reports under subsection (c) regarding  
2 the program as the department may determine appropriate and  
3 useful.

4 Section 1116. Confidentiality of information.

5 Notwithstanding any other provision of law, account  
6 information under the program relating to a participant,  
7 including, but not limited to, the participant's name, address,  
8 telephone number, email address, personal identification  
9 information, investments, contributions and earnings, shall be  
10 confidential and shall be maintained by the department and the  
11 department's agents as confidential, except in any of the  
12 following circumstances:

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

15 (2) The participant who provides the information or is  
16 the subject of the information expressly agrees in writing to  
17 the disclosure of the information.

18 Section 1117. Temporary regulations.

19 (a) Promulgation.--In order to facilitate the prompt  
20 implementation of this act, the department and the Department of  
21 Labor and Industry may promulgate temporary regulations that  
22 shall expire not later than two years after the publication of  
23 the temporary regulations in the Pennsylvania Bulletin. The  
24 promulgated temporary regulations shall not be subject to any of  
25 the following:

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

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

1 (3) Sections 204(b) and 301(10) of the act of October  
2 15, 1980 (P.L.950, No.164), known as the Commonwealth  
3 Attorneys Act.

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

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

9 CHAPTER 13

10 (Reserved)

11 CHAPTER 15

12 MISCELLANEOUS PROVISIONS

13 Section 1501. Regulations.

14 The department shall promulgate regulations and adopt  
15 policies or guidelines as necessary to implement this act. The  
16 Department of Labor and Industry and other State agencies shall  
17 coordinate, cooperate and share data and information with the  
18 department as necessary to implement this act.

19 Section 1502. Notice of program implementation.

20 (a) Publication.--Upon the implementation of the program in  
21 accordance with this act, the department shall submit a notice  
22 to the Legislative Reference Bureau for publication in the next  
23 available issue of the Pennsylvania Bulletin.

24 (b) Internet posting.--The department shall post a notice of  
25 the date of implementation of the program on the department's  
26 publicly accessible Internet website. The notice shall include a  
27 statement that in lieu of enrolling employees in the program  
28 employers may sponsor an alternative arrangement, including, but  
29 not limited to, a defined benefit plan, 401(k) plan, simplified  
30 employee pension (SEP) plan, savings incentive match plan for

1 employees (SIMPLE) or automatic payroll deduction IRA offered  
2 through a private provider.  
3 Section 1503. Effective date.  
4 This act shall take effect immediately.