

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1263 Session of 2025

INTRODUCED BY MULLINS, GALLAGHER, WEBSTER, GIRAL, VENKAT, MADDEN, PIELLI, HILL-EVANS, SCHLOSSBERG, NEILSON, SOLOMON, HANBIDGE, SANCHEZ, HADDOCK, BOROWSKI, STEELE, BRENNAN, DONAHUE, HOHENSTEIN, WAXMAN, PROKOPIAK, CERRATO, WARREN, O'MARA, DOUGHERTY, BOYD AND CEPEDA-FREYTIZ, APRIL 17, 2025

AS REPORTED FROM COMMITTEE ON COMMERCE, HOUSE OF REPRESENTATIVES, AS AMENDED, MAY 6, 2025

AN ACT

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

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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. 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 Administrative  
18 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 covered employer;

24 (ii) has gross wages or other compensation that are  
25 allocable to the Commonwealth in a calendar year; 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 the Railway Labor Act  
29 (Public Law 69-257, 45 U.S.C. § 151 et seq.).

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

1 contributions to a multi-employer 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 consecutive months of the  
19 preceding 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 three preceding  
26 calendar years. If an employer does not maintain a  
27 specified tax-favored retirement plan for a portion of a  
28 calendar year ending on or after the effective date of  
29 this definition and adopts a specified tax-favored  
30 retirement plan for the remainder of the calendar year,

1 the employer is not included in this term for the  
2 remainder of the calendar year.

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

4 "ERISA." The Employee Retirement Income Security Act of 1974  
5 (Public Law 93-406, 29 U.S.C. § 1001 et seq.).

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

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

12 (1) 26 U.S.C. § 408(a) or (b) (relating to individual  
13 retirement accounts).

14 (2) 26 U.S.C. § 408A (relating to Roth IRAs).

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

18 "Participating employer." Includes a covered employer or a  
19 noncovered employer that voluntarily participates in the  
20 program.

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

24 "Payroll system." A system that uses software to  
25 automatically process payroll, including calculating total wage  
26 earnings, withholding and remitting of deductions, filing  
27 payroll taxes and delivering payment of net wages to employees.

28 "Person." A corporation, partnership, limited liability  
29 company, business trust, other association, estate, trust,  
30 foundation or natural person, including natural persons doing

1 business as sole proprietors.

2 "Program." The Keystone Saves Program established under  
3 section 301.

4 "Program fund." The Keystone Saves Program Fund established  
5 under section 302.

6 "Qualified payroll deposit retirement savings arrangement" or  
7 "qualified arrangement." An arrangement facilitated by a  
8 participating employer that allows employees to contribute to an  
9 IRA by processing employer payroll deductions and contributing  
10 the deductions to the program in accordance with section 1102.

11 "Quarter." Any of the following periods:

12 (1) January 1 to March 31 of each year.

13 (2) April 1 to June 30 of each year.

14 (3) July 1 to September 30 of each year.

15 (4) October 1 to December 31 of each year.

16 "Roth IRA." A Roth individual retirement account or  
17 individual retirement annuity under section 408A of the Internal  
18 Revenue Code.

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

23 "Total fees and expenses." All fees, costs and expenses of  
24 operating the program, including any of the following:

25 (1) Initial planning and organizational costs.

26 (2) Administrative expenses.

27 (3) Investment expenses.

28 (4) Investment advice expenses.

29 (5) Accounting costs, actuarial costs, legal costs,  
30 marketing expenses, education expenses, trading costs,

1 insurance annuitization costs and other costs reasonably  
2 related to the program.

3 "Traditional IRA." A traditional individual retirement  
4 account or traditional individual retirement annuity under  
5 section 408(a) or (b) of the Internal Revenue Code.

### 6 CHAPTER 3

#### 7 KEYSTONE SAVES PROGRAM

8 Section 301. Establishment of program.

9 There is established a retirement savings program in the form  
10 of an automatic enrollment payroll deduction IRA, known as the  
11 Keystone Saves Program, within the department. The program shall  
12 be administered by the department for the purposes of promoting  
13 greater retirement savings for covered employees in a  
14 convenient, low-cost and portable manner.

15 Section 302. Keystone Saves Program Fund.

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

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

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

24 (3) The program fund shall include the individual  
25 retirement accounts of participants, which shall be accounted  
26 for as individual accounts.

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

29 (5) Investment earnings and interest that are  
30 attributable to money in the program fund shall be deposited

1 in the program fund and credited appropriately to individual  
2 accounts.

3 (b) Amounts on deposit.--Except as provided under section  
4 304(c), the following shall apply:

5 (1) The money deposited into the program fund, or any  
6 earnings thereof, does not constitute property of the  
7 Commonwealth.

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

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

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

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

22 (b) Use of money.--The department shall use money in the  
23 administrative fund to pay for all administrative and operating  
24 costs, fees and expenses incurred solely in performing the  
25 duties of the department under this act.

26 (c) Sources of money.--The administrative fund shall receive  
27 deposits from the individual account assessments under section  
28 304(c) and funds designated for administrative purposes from the  
29 Federal Government, the Commonwealth or a local government  
30 entity or in the form of gifts, donations or grants made by any



1 other person, firm, partnership or corporation for deposit into  
2 the administrative fund.

3 (d) Earnings and interest.--Investment earnings and interest  
4 that are attributable to money in the administrative fund shall  
5 be deposited into the administrative fund.

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

9 Section 304. Administration and funding.

10 (a) Duties of department.--In accordance with this act, the  
11 department shall implement and administer the program.

12 (b) Operating and administrative costs.--

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

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

26 (c) Program costs.--All fees, costs and expenses of  
27 administering and operating the program and investing the assets  
28 of the program fund shall be incurred by the participants and  
29 paid from assessments against the balances of the individual  
30 program accounts as established by the State Treasurer and

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

13 (d) Repayment of appropriation.--The department shall over  
14 time repay to the General Fund money appropriated covering the  
15 total costs, fees and expenses for the program. The repayment  
16 shall be made from the fees, charges, investment earnings and  
17 interest of the administrative fund or from any other available  
18 money.

## 19 CHAPTER 5

### 20 KEYSTONE SAVES PROGRAM ADVISORY BOARD

21 Section 501. Establishment of board.

22 The Keystone Saves Program Advisory Board is established  
23 within the department.

24 Section 502. Composition of board.

25 (a) Members.--The board shall consist of the following  
26 members:

27 (1) The Governor, or a designee.

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

29 (3) Four members, one each appointed by the President  
30 pro tempore of the Senate, the Speaker of the House of

1 Representatives, the Minority Leader of the Senate and the  
2 Minority Leader of the House of Representatives. The four  
3 appointed members must have knowledge, skill and expertise in  
4 financial planning and saving for retirement.

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

7 Section 503. Terms of board members.

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

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

13 Section 504. Meetings of board.

14 (a) Organizational meeting.--The State Treasurer, or the  
15 designee under section 502(a)(2), shall call the organizational  
16 meeting of the board.

17 (b) Subsequent meetings.--Meetings of the board shall be  
18 held at the call of the chairperson, at least once every  
19 quarter.

20 (c) Employees.--The department shall have the power and its  
21 duty shall be to provide the board with experts, stenographers  
22 and assistants as necessary to carry out the work of the board.  
23 In addition, the board may enlist voluntary assistance as  
24 available from citizens, research organizations and other  
25 agencies.

26 Section 505. Duties of board.

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

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

29 (2) Advise the department upon request.

30 (3) Make recommendations on the board's own initiative

1 for the improvement of the program.

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

4 Section 506. Limitations on board members.

5 A board member may not:

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

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

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

#### 14 CHAPTER 7

#### 15 DEPARTMENT POWERS AND DUTIES

16 Section 701. Powers and duties of department.

17 The department shall have the following duties:

18 (1) Administer the program and the funds.

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

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

- 1           (i) Staffing capabilities and capacity.
- 2           (ii) Experience and performance in supplying similar  
3 goods and services to governmental or private-sector  
4 programs.
- 5           (iii) Reputation for preserving the confidentiality  
6 and integrity of sensitive information.
- 7           (iv) Length of time in the current or comparable  
8 lines of business.
- 9           (v) Financial strength and record of  
10 creditworthiness.
- 11          (vi) Other factors as the department may deem  
12 material to evaluating the suitability of the applicant  
13 for any of the categories of contracts and personnel  
14 described in this paragraph.
- 15          (4) Solicit and accept gifts, grants, loans and other  
16 aid from any person, government entity, corporation or other  
17 entity and participate in any Federal, State or local  
18 government program that results in additional money being  
19 available for establishment and implementation of the  
20 program.
- 21          (5) Collect administrative fees and charges in  
22 connection with any transaction, including continued  
23 participation in the program.
- 24          (6) Contract for insurance, letters of credit and  
25 collateral agreements.
- 26          (7) Solicit answers from appropriate Federal agencies  
27 regarding the application of security laws or other Federal  
28 laws to the program.
- 29          (8) Promulgate rules and regulations and develop  
30 policies and procedures that the department deems necessary

1 or advisable for the implementation of this act and the  
2 administration and operation of the program.

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

6 (i) accords with best practices for retirement  
7 saving vehicles;

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

9 (iii) encourages participation, saving, sound  
10 investment practices and appropriate selection of default  
11 investments;

12 (iv) maximizes simplicity and ease of administration  
13 for employers, minimizes financial costs for employers  
14 and minimizes interactions between covered employees and  
15 covered employers;

16 (v) minimizes or eliminates costs for employers and  
17 employees;

18 (vi) promotes portability of benefits;

19 (vii) complies with all applicable sections of the  
20 Internal Revenue Code and regulations thereunder,  
21 including ensuring that the program satisfies all  
22 criteria for favorable Federal tax treatment and  
23 complies, to the extent necessary, with any other  
24 applicable Federal or State law;

25 (viii) ensures that accounts of participants meet  
26 the requirements for an IRA under the Internal Revenue  
27 Code; and

28 (ix) avoids preemption of the program by ERISA or  
29 other Federal law.

30 (10) Adopt, and periodically review, a written

1 investment policy to ensure, among other considerations, that  
2 investment risks are prudent and properly managed and are  
3 appropriate in comparison to applicable performance  
4 benchmarks and standards.

5 (11) Develop and disseminate educational information to  
6 educate participating employers, covered employees,  
7 participants and others about the program, including all of  
8 the following information:

9 (i) The benefits of planning and saving for  
10 retirement.

11 (ii) Savings strategies that may be appropriate,  
12 including information describing the potential value of  
13 continuing income streams during retirement that might be  
14 derived from current account balances and products  
15 relating to generating income.

16 (iii) The challenges of decumulating funds and  
17 managing spending during retirement.

18 (12) In addition to the materials described under  
19 paragraph (11), develop and deliver to each covered employee  
20 whose name is provided to it by the covered employer an  
21 information packet that provides details about the program  
22 and the choices available to the covered employee regarding  
23 participation in the program.

24 (13) Promulgate rules to allow employers who are not  
25 covered employers to voluntarily participate in the program,  
26 as modified for the noncovered employers as may be necessary  
27 and in a manner that does not cause any portion of the  
28 program to be considered a plan regulated by ERISA. An  
29 employer that maintains or contributes to a specified tax-  
30 favored retirement plan for the employer's employees or has

1 done so effective in form and operation at any time within  
2 the current or three preceding calendar years shall not be  
3 eligible to participate in the program.

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

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

17 (16) Request from the Department of Labor and Industry  
18 and other State agencies information necessary for the  
19 department to implement this act and share data, with  
20 appropriate safeguards, with any of the entities or  
21 individuals retained under paragraph (3) as necessary for  
22 implementation of this act.

23 (17) Exercise any other powers reasonably necessary for  
24 the effectuation of the purposes, objectives and provisions  
25 of this act pertaining to the program.

## 26 CHAPTER 9

### 27 INVESTMENT AND FIDUCIARY RESPONSIBILITIES

#### 28 Section 901. Fiduciary duties.

29 The department, and investment managers engaged by the  
30 department, shall be in a fiduciary relationship with



1 participants and shall discharge each duty under this act solely  
2 in the interest of participants:

3 (1) for the exclusive purposes of providing benefits to  
4 participants and defraying reasonable expenses of  
5 administering the program; and

6 (2) by exercising that degree of judgment, skill and  
7 care under the circumstances then prevailing that persons of  
8 prudence, discretion and intelligence who are familiar with  
9 the matters exercise in the management of the person's own  
10 affairs in regard to the pursuit of reasonable income and  
11 preservation of capital rather than speculation.

12 Section 902. Investment policies.

13 (a) Policies.--The department shall develop and adopt  
14 investment policies that define the investment objectives of the  
15 program consistent with the objectives of the program.

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

26 (c) Recommendations.--The investment policies shall include  
27 recommendations regarding the desirability of limiting  
28 investment choices under the program to a reasonable number in  
29 the interest of simplicity and in consideration of the extensive  
30 investment choices available to participants if the participants

1 roll over to an IRA existing outside of the program. The  
2 recommendations shall conform to the program objectives of  
3 minimizing participant fees and administration and investment  
4 expenses and maximizing participation.

5 Section 903. Additional investment options.

6 (a) Options.--As part of or in addition to investment  
7 options under section 902(b), the department shall, at a  
8 minimum, establish the following investment options for the  
9 program:

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

12 (2) Equity index fund.

13 (3) Bond index fund.

14 (4) Capital preservation fund.

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

23 (c) Default option.--The department shall select a default  
24 investment option for participants who do not elect an  
25 investment option. From time to time, the department may change  
26 the default option for future participants.

27 Section 904. Investment managers.

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

30 (b) Fees and charges.--An investment manager's fees and

1 charges shall not exceed 60 basis points of program fund assets  
2 under management.

3 (c) Compliance.--An investment manager shall comply with  
4 applicable Federal and State laws and regulations, rules,  
5 policies and guidelines promulgated by the department regarding  
6 the program and the investment of money in a fund, including  
7 investment policies.

8 (d) Oversight.--An investment manager shall provide reports  
9 to and appear before department personnel as the department  
10 deems necessary for the department to oversee the investment  
11 manager's performance and the performance of the fund.

12 (e) Performance reviews.--The department shall periodically  
13 conduct a performance review of each investment manager,  
14 including a review of fees and customer service. A copy of each  
15 performance review shall be made available on the department's  
16 publicly accessible Internet website.

17 CHAPTER 11

18 PROGRAM IMPLEMENTATION

19 Section 1101. Commencement of program activities.

20 No later than 24 months from the effective date of this  
21 section, the department shall begin implementation of the  
22 program and allow a participating employer to register with the  
23 department and certify that the participating employer has  
24 facilitated a qualified arrangement. The department may delay  
25 the start of implementation, including the deadlines specified  
26 in section 1106(b), for up to one year if the department  
27 determines that a delay would be in the best interests of the  
28 program.

29 Section 1102. Registration and certification of qualified  
30 payroll deposit retirement savings arrangements.

1 (a) Participation.--No later than the deadlines established  
2 under section 1106(b), a participating employer shall facilitate  
3 a qualified arrangement and register with the department,  
4 certifying that the participating employer has facilitated a  
5 qualified payroll deposit retirement savings arrangement.

6 (b) Arrangement requirements.--A participating employer's  
7 qualified arrangement shall include the following components and  
8 features:

9 (1) Offer a covered employee the opportunity to  
10 participate in the program.

11 (2) In compliance with procedures established by the  
12 department, the department shall:

13 (i) Make available to a covered employee information  
14 regarding the program provided by the department.

15 (ii) Manage and facilitate all opt-in and opt-out  
16 paperwork with employees.

17 (iii) At least once each calendar year, provide an  
18 open enrollment period of not less than two weeks or a  
19 longer time period as may be prescribed by the  
20 department, during which a covered employee who  
21 previously opted out of the program or who terminated  
22 prior participation in the program may enroll or re-  
23 enroll in the program.

24 (3) In compliance with the procedures established by the  
25 department, the covered employer shall not be responsible  
26 for:

27 (i) Making available to a covered employee  
28 information regarding the program provided by the  
29 department.

30 (ii) Managing and facilitating opt-in and opt-out

1 paperwork with employees.

2 (iii) Facilitating an open enrollment period  
3 provided under paragraph (2)(iii).

4 (4) In compliance with the procedures established by the  
5 department, the qualified arrangement shall:

6 (i) Provide the department with the name of the  
7 covered employee and other information as may be required  
8 by the department FOR THE SOLE PURPOSE OF THE <--  
9 ESTABLISHMENT OF THIS ACT.

10 (ii) Automatically enroll a covered employee in the  
11 payroll deposit retirement savings arrangement, unless  
12 the covered employee opts out of the program.

13 (iii) Regularly take deductions from a participant's  
14 gross wages and remit the deductions to the participant's  
15 program account.

16 (5) Allow a participant to select the rate of deduction  
17 from the participant's gross wages for the program, subject  
18 to the annual contribution limit permitted by the Internal  
19 Revenue Code. For a participant who does not identify a  
20 deduction rate, the department shall establish a default  
21 contribution equal to 4% of gross wages, or another default  
22 percentage as the department may prescribe for the program,  
23 subject to the annual contribution limit permitted by the  
24 Internal Revenue Code.

25 (6) Allow a participant to increase the deduction rate  
26 by any amount each year, to a maximum of 10% of gross wages  
27 or the annual contribution limit permitted by the Internal  
28 Revenue Code, whichever is greater.

29 (7) Allow a participant to completely opt out of  
30 deductions, increase or decrease the deduction rate, freeze

1 automatic annual deduction rate increases or increase the  
2 deduction rate, subject to the annual contribution limit  
3 permitted by the Internal Revenue Code.

4 (8) Allow a participant to select one or more investment  
5 options from the investment options offered by the department  
6 through the program. A participant may change the selected  
7 investment option or options at any time, subject to the  
8 program rules. For a participant who does not select any  
9 investment option, the deductions from the participant's  
10 gross wages will be invested in a default option established  
11 by the department for the program.

12 (9) Allow a participant to terminate participation in  
13 the program at any time in accordance with Internal Revenue  
14 Code requirements.

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

18 (11) Prohibit a participating employer from making  
19 contributions to the program.

20 (12) Prohibit a participating employer from taking any  
21 actions that constitute an explicit or direct endorsement or  
22 promotion of the 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.--Subject to the requirements for a Roth IRA  
29 under the Internal Revenue Code, participant contributions,  
30 including contributions from a participant who does not select

1 an investment option, shall be made to a Roth IRA.

2 (b) Alternative structures for emergency savings.--The  
3 department may offer an alternative investment option for a  
4 participant to select that facilitates access, in the event of  
5 emergency, to the participant's contributions comparable to that  
6 allowed by a Roth IRA.

7 (c) Traditional IRAs.--The department may make a traditional  
8 IRA available for a participant who selects the participant's  
9 investment options.

10 Section 1105. Implementation of qualified arrangements.

11 The department shall establish procedures regarding the  
12 facilitation of a qualified arrangement by a participating  
13 employer.

14 Section 1106. Registration and certification.

15 (a) Procedures.--The department shall establish procedures  
16 for a participating employer to register in the program and  
17 provide the registration information to the department. A  
18 participating employer shall certify to the department  
19 implementation of a qualified arrangement at the time of  
20 registration.

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

29 (1) A covered employer employing 100 or more employees  
30 shall register no later than 24 months after the effective

1 date of this subsection.

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

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

8 (4) A covered employer employing at least five but no  
9 more than nine employees shall register no later than 48  
10 months after the effective date of this subsection.

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

17 Section 1107. Payroll deductions.

18 (a) Payroll deduction deposits.--The department shall  
19 establish procedures for payroll deduction deposits, including  
20 time periods within which a participating employer must notify  
21 the department of the hiring of a new covered employee, must  
22 enroll the new covered employee in the program and must begin  
23 taking deductions from the participant's gross wages for the  
24 program.

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

28 (c) Deductions held in trust.--All deductions collected by a  
29 person from a covered employee in accordance with or under color  
30 of this act that have not been properly returned by the person



1 to the covered employee shall constitute a trust fund for the  
2 covered employee until contributed to the covered employee's  
3 program account. The trust shall be enforceable by the covered  
4 employee or the Commonwealth against the person, the person's  
5 representatives and any person, other than the covered employee,  
6 who knowingly or unknowingly receives any part of the fund  
7 without consideration.

8 Section 1108. Withdrawals, rollovers and transfers.

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

13 Section 1109. Distribution of funds from program.

14 (a) Procedures.--The department shall establish procedures  
15 governing the distribution of funds from the program, including  
16 distributions as may be permitted or required by the program or  
17 any applicable provisions of Federal or State law, with the  
18 following objectives:

19 (1) Maximizing financial security in retirement.

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

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

25 (1) Designating a lifetime income investment product for  
26 the program to provide a participant and the participant's  
27 spouse with a source of retirement income for life, and, if  
28 determined by the department to be prudent, to provide  
29 benefits, where available, to other designated beneficiaries.

30 (2) Establishing distribution procedures for

1 participants that encourage participants to elect, in  
2 combination with the designation of a lifetime income  
3 investment product, that at least 50% of a participant's  
4 program account balance on the date the participant attains  
5 the normal retirement age be invested in the lifetime income  
6 investment product.

7 Section 1110. Outreach and information.

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

10 (1) A participating employer, as follows:

11 (i) General information about the requirements and  
12 procedures of the program.

13 (ii) Information describing the opportunity to and  
14 benefits of a participating employer sponsoring a  
15 specified tax-favored retirement plan that would exempt  
16 the participating employer from the requirements of the  
17 program.

18 (iii) Explanatory materials to be made available to  
19 a covered employee regarding the program and the choices  
20 available to the covered employee. The explanatory  
21 materials shall include all required disclosures relating  
22 to participating in an IRA and instructions for how to  
23 enroll in the program.

24 (2) A covered employee, as follows:

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

27 (ii) Descriptions of investment options offered by  
28 the program.

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

1 (3) A participant, as follows:

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

4 (ii) Descriptions of asset distribution products  
5 that may provide predictable and fixed income for a  
6 period of time, including for all or a portion of the  
7 retirements of the participant and the participant's  
8 spouse.

9 Section 1111. Contributions, interest and investment earnings.

10 (a) Ownership.--A participant shall be the owner of the  
11 contributions, interest and investment earnings in the  
12 associated program account. The Commonwealth or the  
13 participating employer may not have any proprietary interest in  
14 the contributions, interest or investment earnings.

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

18 (1) Paying benefits to a participant.

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

20 (3) Making investments for the benefit of a participant  
21 and the program.

22 (c) Prohibited transfers.--The General Assembly may not  
23 transfer contributions in an IRA under the program, or the  
24 interest or investment earnings of any associated program  
25 accounts, to the General Fund or another Commonwealth fund or  
26 otherwise encumber or use the contributions, interest or  
27 investment earnings for a purpose other than the ones specified  
28 under this section.

29 (d) Procedures.--The department shall establish procedures  
30 to allocate interest, investment earnings and investment losses

1 to the program account of a participant. A participant's  
2 retirement savings benefit under the program shall be an amount  
3 equal to the balance in the participant's account on the date  
4 the retirement savings benefit becomes payable.

5 Section 1112. Duties and liability of Commonwealth.

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

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

19 Section 1113. Protection from liability for employers.

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

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

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

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

30 (4) The design of the program or benefits paid to a

1 participant.

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

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

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

16 Section 1114. Risk management.

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

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

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

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

29 (4) assess investment returns and risks to determine if  
30 the risks taken are adequately compensated compared to

1 applicable performance benchmarks and standards.

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

7 Section 1115. Audit and reports.

8 (a) Reports to Governor and General Assembly.--The  
9 department shall annually submit 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 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 program 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 each  
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 the following to each 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 the participant's rate of contribution and any  
11 change in the rate of contribution during the preceding  
12 calendar year or as required under section 1102(b)(6).

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

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

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

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

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

29 (d) Additional information.--The department may include any  
30 other information in the reports under subsection (c) regarding

1 the program as the department may determine appropriate and  
2 useful.

3 Section 1116. Confidentiality of information.

4 Account information under the program relating to a  
5 participant, including the participant's name, address,  
6 telephone number, email address, personal identification  
7 information, investments, contributions and earnings, shall be  
8 confidential and shall be maintained by the department and the  
9 department's agents as confidential, except in any of the  
10 following circumstances:

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

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

16 (3) The information is demanded under a subpoena, court  
17 order or other legal obligation.

18 Section 1117. Temporary regulations.

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

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

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

30 (3) Sections 204(b) and 301(10) of the act of October



1 15, 1980 (P.L.950, No.164), known as the Commonwealth  
2 Attorneys Act.

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

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

8 CHAPTER 13

9 MISCELLANEOUS PROVISIONS

10 Section 1301. Regulations.

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

13 Section 1302. Provision of information.

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

17 Section 1303. Notice of program implementation.

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

22 (b) Internet posting.--The department shall post a notice of  
23 the date of implementation of the program on the department's  
24 publicly accessible Internet website. The notice shall include a  
25 statement that in lieu of enrolling employees in the program  
26 employers may sponsor an alternative arrangement, including a  
27 defined benefit plan, 401(k) plan, simplified employee pension  
28 plan, savings incentive match plan for employees or automatic  
29 payroll deduction IRA offered through a private provider.

30 Section 1304. Effective date.

1 This act shall take effect immediately.