
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 AND BOYD, APRIL 17, 2025

REFERRED TO COMMITTEE ON COMMERCE, APRIL 17, 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.

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

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

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

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

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

1 deduction rate, subject to the annual contribution limit
2 permitted by the Internal Revenue Code.

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

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

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

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

19 (12) Prohibit a participating employer from taking any
20 actions that constitute an explicit or direct endorsement or
21 promotion of the arrangement or the program.

22 Section 1103. Participating employer plans.

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

26 Section 1104. Roth IRAs and traditional IRAs.

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

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

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

9 Section 1105. Implementation of qualified arrangements.

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

13 Section 1106. Registration and certification.

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

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

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

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

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

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

10 (5) Notwithstanding any of the preceding registration
11 deadlines of this subsection, covered employers that pay
12 their employees through a payroll system or payroll service
13 shall register no later than 24 months after the effective
14 date of this subsection. A covered employer shall not be
15 subject to a penalty for not participating in the program.
16 Section 1107. Payroll deductions.

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

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

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

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

7 Section 1108. Withdrawals, rollovers and transfers.

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

12 Section 1109. Distribution of funds from program.

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

18 (1) Maximizing financial security in retirement.

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

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

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

29 (2) Establishing distribution procedures for
30 participants that encourage participants to elect, in

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

6 Section 1110. Outreach and information.

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

9 (1) A participating employer, as follows:

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

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

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

23 (2) A covered employee, as follows:

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

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

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

30 (3) A participant, as follows:

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

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

8 Section 1111. Contributions, interest and investment earnings.

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

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

17 (1) Paying benefits to a participant.

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

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

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

28 (d) Procedures.--The department shall establish procedures
29 to allocate interest, investment earnings and investment losses
30 to the program account of a participant. A participant's

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

4 Section 1112. Duties and liability of Commonwealth.

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

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

18 Section 1113. Protection from liability for employers.

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

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

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

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

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

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

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

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

15 Section 1114. Risk management.

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

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

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

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

28 (4) assess investment returns and risks to determine if
29 the risks taken are adequately compensated compared to
30 applicable performance benchmarks and standards.

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

6 Section 1115. Audit and reports.

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

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

14 (2) A report prepared by the department, which shall
15 include the following:

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

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

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

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

1 contributed to the program on behalf of each participant during
2 the reporting period.

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

6 (1) At least annually, a report of contributions and
7 investment income allocated and withdrawals from and balances
8 in the participant's account for the reporting period,
9 including the participant's rate of contribution and any
10 change in the rate of contribution during the preceding
11 calendar year or as required under section 1102(b)(6).

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

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

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

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

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

28 (d) Additional information.--The department may include any
29 other information in the reports under subsection (c) regarding
30 the program as the department may determine appropriate and

1 useful.

2 Section 1116. Confidentiality of information.

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

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

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

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

17 Section 1117. Temporary regulations.

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

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

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

29 (3) Sections 204(b) and 301(10) of the act of October
30 15, 1980 (P.L.950, No.164), known as the Commonwealth

1 Attorneys Act.

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

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

7 CHAPTER 13

8 MISCELLANEOUS PROVISIONS

9 Section 1301. Regulations.

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

12 Section 1302. Provision of information.

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

16 Section 1303. Notice of program implementation.

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

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

29 Section 1304. Effective date.

30 This act shall take effect immediately.