

116TH CONGRESS 1ST SESSION

S. 1019

To allow employers to offer short-term savings accounts with automatic contribution arrangements for financial emergencies.

IN THE SENATE OF THE UNITED STATES

APRIL 3, 2019

Mr. Jones (for himself, Mr. Cotton, Mr. Booker, and Mr. Young) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

A BILL

To allow employers to offer short-term savings accounts with automatic contribution arrangements for financial emergencies.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,
- 3 SECTION 1. SHORT TITLE.
- 4 This Act may be cited as the "Strengthening Finan-
- 5 cial Security Through Short-Term Savings Accounts Act
- 6 of 2019".
- 7 SEC. 2. PURPOSE.
- 8 The purpose of this Act is to improve financial secu-
- 9 rity, facilitate convenient and affordable access to all types

of employer sponsored short-term savings accounts, reduce leakage, and complement overall retirement savings. 3 SEC. 3. STAND-ALONE SHORT-TERM SAVINGS ACCOUNTS. 4 (a) IN GENERAL.—An employer may make available 5 to employees a stand-alone, short-term savings account, using an automatic contribution arrangement (as defined in section 514(e)(2) of the Employee Retirement Income 8 Security Act of 1974 (29 U.S.C. 1144(e)(2))) in accordance with this Act. An employer that offers employees a 10 short-term savings account shall deduct amounts from each participating employee's wages in accordance with 11 12 subsection (e) and transfer such amounts to a savings account that meets the requirements of subsection (b). 13 14 (b) ACCOUNT REQUIREMENTS.— 15 (1) In General.—A short-term savings account offered in accordance with subsection (a) 16 17 shall— 18 (A) have no minimum balance require-19 ments, reasonable fees as determined by a joint 20 rulemaking by the Secretary of Labor and the 21 Secretary of the Treasury, in consultation with 22 other financial regulators, and a maximum ac-23 count balance of not to exceed \$10,000, ad-24 justed annually for inflation and by the Sec-

retary of the Treasury;

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1	(B) have a balance that is made readily
2	available, in whole or in part, at any time to an
3	individual who owns the account, subject to any
4	reasonable, limited restrictions imposed on
5	withdrawals pursuant to the terms of the ar-
6	rangement; and
7	(C) make available to the individual who
8	owns the account, not later than 5 business
9	days after the individual terminates employ-
10	ment, the entire account balance.
11	An employer may structure and adapt such short-
12	term savings account to assist employees with short-
13	term financial emergencies, so long as such savings
14	accounts meet the minimum standards set forth in
15	this Act.
16	(2) Coordination.—An employer may coordi-
17	nate with a bank, credit union, or payroll card pro-
18	vider that is licensed by the Federal Government or
19	a State government offering a short-term savings ac-
20	count under subsection (a), including—
21	(A) an FDIC insured pooled account that
22	the employer opens in the name of the employer
23	for which the employer maintains responsibility,
24	subject to reasonable fees as defined in section

1022.380 of title 31, Code of Federal Regula-

- tions, and New Opinion No. 8 of the General
 Counsel of the Federal Deposit Insurance Corporation (73 Fed. Reg. 67155 (November 13,
 2008)), a variation of a savings account for a
 short-term savings account offered under subsection (a); and
 - (B) an individual account opened in the name of the employee for which the employee maintains responsibility.
 - (3) Regulations.—The Secretary of the Treasury, in consultation with the Secretary of Labor, shall promulgate regulations carrying out this subsection. Such regulations shall address the responsibility of employers to establish and maintain reasonable claims procedures, any associated penalties for failure to comply with this Act, the timing and notice of benefit determination, how the funds must be invested and minimum interest requirements, and the manner and content of benefit determination, rights of participants in these accounts, among other things as they determine are necessary.
 - (4) APPLICABILITY.—Notwithstanding any other provision of law, an employer may designate an account for direct deposit for a short-term savings account offered under subsection (a).

1	(c) Account Sponsor Requirements.—Employ-
2	ers—
3	(1) shall have a fiduciary responsibility to en-
4	sure that—
5	(A) any account offered in accordance with
6	subsection (a) meets the requirements of sub-
7	section (b);
8	(B) relevant information about partici-
9	pating employees is submitted safely and se-
10	curely to the insured depository institution or
11	insured credit union;
12	(C) amounts are properly deducted from
13	employees' wages and transferred to the finan-
14	cial institution on behalf of the employees in ac-
15	cordance with subsection (f);
16	(D) employees have clear instructions and
17	an easy means to make changes to contribu-
18	tions or stop them entirely at any time; and
19	(E) employees have clear guidance on how
20	they may access their money and how quickly
21	they will receive their money upon request; and
22	(2) have no other fiduciary responsibility be-
23	yond the responsibilities described in paragraph (1).
24	(d) Applicability of Banking Laws.—

- (1) In general.—Except as provided in paragraph (2), Federal banking laws (including regulations) shall apply to short-term savings accounts as if the short-term savings accounts were savings accounts.
 - (2) Know your customer laws.—Notwithstanding any other provision of law, a bank, credit union, or payroll card provider offering a short-term savings account under subsection (a) shall be treated as if it were an ERISA plan, for purposes of rules relating to Anti-Money Laundering, Customer Identification Program (CIP), Suspicious Activity Report (SAR) requirements, or any other rules required to establish the identity of the account holder before an account for a short-term savings account is opened in accordance with this Act. The Secretary may prescribe regulations which would establish minimum standards that such an arrangement would be required to satisfy in order for this subsection to apply with respect to such an account.
- 21 (e) Preemption of State Anti-Garnishment 22 Laws.—Notwithstanding any other provision of law, this 23 section shall supersede any law of a State which would 24 directly or indirectly prohibit or restrict the use an auto-25 matic contribution arrangement for a short-term savings

- 1 account, as if it were an ERISA plan. The Secretary may
- 2 prescribe regulations which would establish minimum
- 3 standards that such an arrangement would be required to
- 4 satisfy in order for this subsection to apply with respect
- 5 to such an account.
- 6 (f) Transfers to Accounts.—The account sponsor
- 7 shall transfer each pay period—
- 8 (1) to the short-term savings account an
- 9 amount equal to the percentage of the employee's
- 10 compensation, or a fixed amount, as the account
- 11 sponsor determines; and
- 12 (2) employees shall have the ability to adjust,
- stop, or pause, their contributions as they see fit.
- 14 (g) DISCLOSURE REQUIREMENTS.—An account spon-
- 15 sor shall disclose in writing, or electronically if the em-
- 16 ployee so elects, to the participating employee within 5
- 17 business days before the commencement of the contribu-
- 18 tions to the account—
- 19 (1) a short-term savings account description,
- 20 including the contours, all terms and conditions, and
- 21 fees associated with the short-term savings account;
- 22 (2) describe the tax treatment of the short-term
- savings account and the tax treatment of any tax fa-
- 24 vored account that is offered;

- 1 (3) any rules with respect to deposits or con2 tributions into the account, maintenance of the ac3 count, investments, balances, escalations not to ex4 ceed 4 percent and withdrawals, replenishment of
 5 the accounts, balance caps, and other features of the
 6 account; and
- 7 (4) the access and availability to account infor-8 mation and related account information to partici-9 pating employees.
- (h) EFFECTIVE DATE.—The provisions of this Actshall be effective upon the date of enactment of this Act.
- 12 SEC. 4. SHORT-TERM SAVINGS ACCOUNT WITHIN A RETIRE-
- 13 MENT PLAN.
- 14 (a) IN GENERAL.—Not later than one year after the
- 15 date of enactment of this Act, the Secretary of the Treas-
- 16 ury or the Secretary's delegate shall issue regulations or
- 17 other guidance that interprets and applies the rules of the
- 18 Internal Revenue Code of 1986 applicable to tax-qualified
- 19 plans and arrangements described in sections 219(g)(5),
- 20 408 (including 408(q) and 408A), and 457(b) of such
- 21 Code in a manner that facilitates the offering and oper-
- 22 ation, including automatic enrollment and automatic esca-
- 23 lation, of short-term savings arrangements as part of or
- 24 in conjunction or coordination with, any such tax-qualified
- 25 plan or arrangement.

- 1 (b) Requirements.—Any short-term savings ac-
- 2 count that is part of a tax-qualified plans and arrange-
- 3 ments described in sections 219(g)(5), 408 (including
- 4 408(q) and 408A), and 457(b) of the Internal Revenue
- 5 Code of 1986 shall comply with applicable plan require-
- 6 ments, including provisions for the retention of assets in
- 7 a qualified trust, timely payment of assets, and distribu-
- 8 tion of assets upon plan or participant termination. Any
- 9 savings account that is not part of a tax-qualified plan,
- 10 bank or credit union, shall be subject to appropriate regu-
- 11 lations by the Department of Treasury.
- 12 SEC. 5. PILOT PROGRAM.
- 13 The Secretary of the Treasury may establish a pilot
- 14 program that incentivizes employers to set up short-term
- 15 savings accounts under this Act. Any employer that par-
- 16 ticipates in the pilot program shall be eligible to receive
- 17 not more than \$400 per employee account.
- 18 SEC. 6. STUDY OF EFFECTIVENESS OF SHORT-TERM SAV-
- 19 INGS ACCOUNT OPTIONS.
- Not later than 1 year after the date of enactment
- 21 of this Act, the Comptroller General shall study, and re-
- 22 port to the Committee on Finance, the Committee on
- 23 Banking, Housing, and Urban Affairs, and the Committee
- 24 on Health, Education, Labor, and Pensions of the Senate
- 25 and the Committee on Ways and Means of the House of

- 1 Representatives, the effectiveness of various methods for
- 2 developing the savings accounts described in this Act, in-
- 3 cluding after-tax employee contributions to a plan de-
- 4 scribed in section 401(k) of the Internal Revenue Code
- 5 of 1986, deemed treatment of such plans as a Roth plan
- 6 for purposes of such Code, and the use of depository ac-
- 7 counts, including payroll cards.