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

IN THE SENATE OF THE UNITED STATES

JULY 17, 2018

Ms. HEITKAMP (for herself, 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 Financial Security Through Short-Term Savings Accounts Act of 2018”.

SEC. 2. PURPOSE.

8 The purpose of this Act is to improve financial security, facilitate convenient and affordable access to all types
of employer sponsored short-term savings accounts, reduce
leakage, and complement overall retirement savings.

SEC. 3. STAND-ALONE SHORT-TERM SAVINGS ACCOUNTS.

(a) IN GENERAL.—An employer may make available
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
Security Act of 1974 (29 U.S.C. 1144(e)(2))) in accord-
ance with this Act. An employer that offers employees a
short-term savings account shall deduct amounts from
each participating employee’s wages in accordance with
subsection (e) and transfer such amounts to a savings ac-
count that meets the requirements of subsection (b).

(b) ACCOUNT REQUIREMENTS.—

(1) IN GENERAL.—A short-term savings ac-
count offered in accordance with subsection (a)
shall—

(A) have no minimum balance require-
ments, reasonable fees as determined by a joint
rulemaking by the Secretary of Labor and the
Secretary of the Treasury, in consultation with
other financial regulators, and a maximum ac-
count balance of not to exceed $10,000, ad-
justed annually for inflation and by the Sec-
retary of the Treasury;
(B) have a balance that is made readily available, in whole or in part, at any time to an individual who owns the account, subject to any reasonable, limited restrictions imposed on withdrawals pursuant to the terms of the arrangement; and

(C) make available to the individual who owns the account, not later than 5 business days after the individual terminates employment, the entire account balance.

An employer may structure and adapt such short-term savings account to assist employees with short-term financial emergencies, so long as such savings accounts meet the minimum standards set forth in this Act.

(2) COORDINATION.—An employer may coordinate with a bank, credit union, or payroll card provider that is licensed by the Federal Government or a State government offering a short-term savings account under subsection (a), including—

(A) an FDIC insured pooled account that the employer opens in the name of the employer for which the employer maintains responsibility, 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).
(c) **ACCOUNT SPONSOR REQUIREMENTS.—**Employers—

(1) shall have a fiduciary responsibility to ensure that—

(A) any account offered in accordance with subsection (a) meets the requirements of subsection (b);

(B) relevant information about participating employees is submitted safely and securely to the insured depository institution or insured credit union;

(C) amounts are properly deducted from employees’ wages and transferred to the financial institution on behalf of the employees in accordance with subsection (f);

(D) employees have clear instructions and an easy means to make changes to contributions or stop them entirely at any time; and

(E) employees have clear guidance on how they may access their money and how quickly they will receive their money upon request; and

(2) have no other fiduciary responsibility beyond the responsibilities described in paragraph (1).

(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.

(e) Preemption of State Anti-Garnishment Laws.—Notwithstanding any other provision of law, this section shall supersede any law of a State which would directly or indirectly prohibit or restrict the use an automatic contribution arrangement for a short-term savings
account, as if it were an ERISA plan. 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.

(f) TRANSFERS TO ACCOUNTS.—The account sponsor shall transfer each pay period—

(1) to the short-term savings account an amount equal to the percentage of the employee’s compensation, or a fixed amount, as the account sponsor determines; and

(2) employees shall have the ability to adjust, stop, or pause, their contributions as they see fit.

(g) DISCLOSURE REQUIREMENTS.—An account sponsor shall disclose in writing, or electronically if the employee so elects, to the participating employee within 5 business days before the commencement of the contributions to the account—

(1) a short-term savings account description, including the contours, all terms and conditions, and fees associated with the short-term savings account;

(2) describe the tax treatment of the short-term savings account and the tax treatment of any tax favored account that is offered;
(3) any rules with respect to, deposits or contributions into the account, maintenance of the account, investments, balances, escalations not to exceed 4 percent and withdrawals, replenishment of the accounts, balance caps and other features of the account; and

(4) the access and availability to account information and related account information to participating employees.

(h) Effective Date.—The provisions of this Act shall be effective upon the date of enactment of this Act.

SEC. 4. SHORT-TERM SAVINGS ACCOUNT WITHIN A RETIREMENT PLAN.

(a) In General.—Not later than one year after the date of enactment of this Act, the Secretary of the Treasury or the Secretary’s delegate shall issue regulations or other guidance that interprets and applies the rules of the Internal Revenue Code of 1986 applicable to tax-qualified plans and arrangements described in sections 219(g)(5), 408 (including 408(q) and 408A), and 457(b) of such Code in a manner that facilitates the offering and operation, including automatic enrollment and automatic escalation, of short-term savings arrangements as part of or in conjunction or coordination with, any such tax-qualified plan or arrangement.
(b) Requirements.—Any short-term savings account that is part of a tax-qualified plans and arrangements described in sections 219(g)(5), 408 (including 408(q) and 408A), and 457(b) of the Internal Revenue Code of 1986 shall comply with applicable plan requirements, including provisions for the retention of assets in a qualified trust, timely payment of assets, and distribution of assets upon plan or participant termination. Any savings account that is not part of a tax-qualified plan, bank or credit union, shall be subject to appropriate regulations by the Department of Treasury.

SEC. 5. PILOT PROGRAM.

The Secretary of the Treasury may establish a pilot program that incentivizes employers to set up short-term savings accounts under this Act. Any employer that participates in the pilot program shall be eligible to receive not more than $400 per employee account.

SEC. 6. STUDY OF EFFECTIVENESS OF SHORT-TERM SAVINGS ACCOUNT OPTIONS.

Not later than 1 year after the date of enactment of this Act, the Comptroller General shall study, and report to the Committee on Finance, the Committee on Banking, Housing, and Urban Affairs, and the Committee on Health, Education, Labor, and Pensions of the Senate and the Committee on Ways and Means of the House of
Representatives, the effectiveness of various methods for developing the savings accounts described in this Act, including after-tax employee contributions to a plan described in section 401(k) of the Internal Revenue Code of 1986, deemed treatment of such plans as a Roth plan for purposes of such Code, and the use of depository accounts, including payroll cards.