

115TH CONGRESS  
2D SESSION

# S. 3218

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

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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

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## 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 2018”.

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

1 of employer sponsored short-term savings accounts, reduce  
2 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,  
6 using an automatic contribution arrangement (as defined  
7 in section 514(e)(2) of the Employee Retirement Income  
8 Security Act of 1974 (29 U.S.C. 1144(e)(2))) in accord-  
9 ance with this Act. An employer that offers employees a  
10 short-term savings account shall deduct amounts from  
11 each participating employee’s wages in accordance with  
12 subsection (e) and transfer such amounts to a savings ac-  
13 count that meets the requirements of subsection (b).

14 (b) ACCOUNT REQUIREMENTS.—

15 (1) IN GENERAL.—A short-term savings ac-  
16 count offered in accordance with subsection (a)  
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-  
25 retary of the Treasury;

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  
25 1022.380 of title 31, Code of Federal Regula-

1 tions, and New Opinion No. 8 of the General  
2 Counsel of the Federal Deposit Insurance Cor-  
3 poration (73 Fed. Reg. 67155 (November 13,  
4 2008)), a variation of a savings account for a  
5 short-term savings account offered under sub-  
6 section (a); and

7 (B) an individual account opened in the  
8 name of the employee for which the employee  
9 maintains responsibility.

10 (3) REGULATIONS.—The Secretary of the  
11 Treasury, in consultation with the Secretary of  
12 Labor, shall promulgate regulations carrying out  
13 this subsection. Such regulations shall address the  
14 responsibility of employers to establish and maintain  
15 reasonable claims procedures, any associated pen-  
16 alties for failure to comply with this Act, the timing  
17 and notice of benefit determination, how the funds  
18 must be invested and minimum interest require-  
19 ments, and the manner and content of benefit deter-  
20 mination, rights of participants in these accounts,  
21 among other things as they determine are necessary.

22 (4) APPLICABILITY.—Notwithstanding any  
23 other provision of law, an employer may designate  
24 an account for direct deposit for a short-term sav-  
25 ings 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           (1) IN GENERAL.—Except as provided in para-  
2           graph (2), Federal banking laws (including regula-  
3           tions) shall apply to short-term savings accounts as  
4           if the short-term savings accounts were savings ac-  
5           counts.

6           (2) KNOW YOUR CUSTOMER LAWS.—Notwith-  
7           standing any other provision of law, a bank, credit  
8           union, or payroll card provider offering a short-term  
9           savings account under subsection (a) shall be treated  
10          as if it were an ERISA plan, for purposes of rules  
11          relating to Anti-Money Laundering, Customer Iden-  
12          tification Program (CIP), Suspicious Activity Report  
13          (SAR) requirements, or any other rules required to  
14          establish the identity of the account holder before an  
15          account for a short-term savings account is opened  
16          in accordance with this Act. The Secretary may pre-  
17          scribe regulations which would establish minimum  
18          standards that such an arrangement would be re-  
19          quired to satisfy in order for this subsection to apply  
20          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,  
13 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  
23 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 con-  
2           tributions into the account, maintenance of the ac-  
3           count, investments, balances, escalations not to ex-  
4           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.

10          (h) EFFECTIVE DATE.—The provisions of this Act  
11 shall 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.**

20 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.

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