

SENATE No. 602

The Commonwealth of Massachusetts

PRESENTED BY:

Patricia D. Jehlen

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act to establish the Massachusetts secure choice retirement program and expand the Massachusetts CORE plan to all employers.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	
<i>Patricia D. Jehlen</i>	<i>Second Middlesex</i>	
<i>Steven Ultrino</i>	<i>33rd Middlesex</i>	<i>1/29/2019</i>
<i>Anne M. Gobi</i>	<i>Worcester, Hampden, Hampshire and Middlesex</i>	<i>1/29/2019</i>
<i>Jack Patrick Lewis</i>	<i>7th Middlesex</i>	<i>1/29/2019</i>
<i>Jason M. Lewis</i>	<i>Fifth Middlesex</i>	<i>1/29/2019</i>
<i>Thomas M. Stanley</i>	<i>9th Middlesex</i>	<i>1/29/2019</i>
<i>Bruce E. Tarr</i>	<i>First Essex and Middlesex</i>	<i>1/30/2019</i>
<i>Bradford Hill</i>	<i>4th Essex</i>	<i>1/30/2019</i>
<i>Mike Connolly</i>	<i>26th Middlesex</i>	<i>1/30/2019</i>
<i>James B. Eldridge</i>	<i>Middlesex and Worcester</i>	<i>1/30/2019</i>
<i>Denise Provost</i>	<i>27th Middlesex</i>	<i>1/31/2019</i>
<i>John F. Keenan</i>	<i>Norfolk and Plymouth</i>	<i>2/1/2019</i>
<i>Michael O. Moore</i>	<i>Second Worcester</i>	<i>2/1/2019</i>
<i>Daniel J. Hunt</i>	<i>13th Suffolk</i>	<i>2/1/2019</i>
<i>Julian Cyr</i>	<i>Cape and Islands</i>	<i>2/1/2019</i>
<i>John J. Mahoney</i>	<i>13th Worcester</i>	<i>2/6/2019</i>

SENATE No. 602

By Ms. Jehlen, a petition (accompanied by bill, Senate, No. 602) of Patricia D. Jehlen, Steven Ultrino, Anne M. Gobi, Jack Patrick Lewis and other members of the General Court for legislation to establish the Massachusetts secure choice retirement program and expand the Massachusetts CORE plan to all employers. Financial Services.

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-First General Court
(2019-2020)**

An Act to establish the Massachusetts secure choice retirement program and expand the Massachusetts CORE plan to all employers.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1.

2 Section 64E of chapter 29 of the General Laws, as appearing in the 2018 Official Edition,
3 is hereby amended by striking out subsection (a)

4 SECTION 2.

5 Said section 64E of chapter 29, as so appearing, is hereby further amended by striking out
6 the words “not for profit” in the first sentence of the first paragraph of subsection (c)

7 SECTION 3.

8 Said section 64E of chapter 29, as so appearing, is hereby further amended by striking out
9 the words “not for profit” in the first, third, and fourth sentences of the second paragraph of
10 subsection (c)

11 SECTION 4.

12 Said section 64E of chapter 29, as so appearing, is hereby further amended by striking out
13 the words “not for profit” in the fourth sentence of the first paragraph of subsection (d)

14 SECTION 5.

15 Said section 64E of chapter 29, as so appearing, is hereby further amended by striking out
16 the words “not for profit” in the first sentence of subsection (e)

17 SECTION 6.

18 Said section 64E of chapter 29, as so appearing, is hereby further amended by striking out
19 the words “of the non profit community” and “be currently employed by non for profit
20 corporations” in the second sentence of subsection (e)

21 SECTION 7.

22 Chapter 29 of the Massachusetts General Laws, as appearing in the 2018 Official Edition,
23 is hereby amended by inserting after Section 64E the following sections:

24 Section 64F Massachusetts Secure Choice Program

25 1. For purposes of this section, the following definitions shall apply:

26 “Administrative Fund” means the Massachusetts Secure Choice Administrative Fund
27 described in Section 10.

28 “Board” means the Massachusetts Secure Choice Board.

29 “Covered Employee” means an individual who is employed by a Covered Employer, who
30 has wages or other compensation that is allocable to the State, and who is at least [18 years of
31 age. “Covered Employee” does not include –

32 (A) Any employee covered under the federal Railway Labor Act (45 U.S.C. sec. 151).

33 (B) Any employee on whose behalf an employer makes contributions to a Taft-Hartley
34 multiemployer pension trust fund.

35 (C) Any individual who is an employee of the Federal government, the State or any other
36 State, any country or municipal corporation, or any of the State’s or any other State’s units or
37 instrumentalities.

38 “Covered Employer” means a person or entity engaged in a business, industry,
39 profession, trade, or other enterprise in the State, whether for profit or not for profit, excluding
40 the federal government, the state, any county, any municipal corporation, or any of the state’s
41 units or instrumentalities; and provided that “Covered Employer” does not include an employer
42 that maintains a Specified Tax-Favored Retirement Plan for its employees or has done so
43 effective in form and operation at any time within the current or two preceding calendar years. If
44 an employer does not maintain a Specified Tax-Favored Retirement Plan for a portion of a
45 calendar year ending on or after the effective date of this title and adopts such a plan effective for
46 the remainder of that calendar year, the employer is exempt from “Covered Employer” status for
47 that remainder of the year.

48 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended (29
49 United States Code 1001 et seq.).

50 “Internal Revenue Code” means the Internal Revenue Code of 1986, as amended (Title
51 26 of the United States Code).

52 “IRA” means a traditional or Roth individual retirement account or individual retirement
53 annuity under section 408(a), 408(b), or 408A of the Internal Revenue Code.

54 “Participant” means an individual who is contributing to an IRA under the Program or
55 has an IRA account balance under the Program.

56 “Participating Employer” means a Covered Employer that provides for Covered
57 Employees a Payroll Deduction IRA provided for by this title.

58 “Payroll Deduction IRA Arrangement” or “Payroll Deduction IRA” means an
59 arrangement by which an employer allows employees to contribute to an IRA by means of
60 payroll deduction.

61 “Program” or “Massachusetts Secure Choice Program” means the retirement savings
62 program established by this title.

63 “Roth IRA” means a Roth individual retirement account or individual retirement annuity
64 under section 408A of the Internal Revenue Code.

65 “Specified Tax-Favored Retirement Plan” means a retirement plan that is tax-qualified
66 under or is described in and satisfies the requirements of subsection 401(a), 401(k), 403(a),
67 403(b), 408(k)(Simplified Employee Pension), or 408(p)(SIMPLE-IRA) of the Internal Revenue
68 Code.

69 “Total Fees and Expenses” means all fees, costs, and expenses, including but not limited
70 to administrative expenses, investment expenses, investment advice expenses, accounting costs,

71 actuarial costs, legal costs, marketing expenses, education expenses, trading costs, insurance
72 annuitization costs, and other miscellaneous costs.

73 “Traditional IRA” means a traditional individual retirement account or traditional
74 individual retirement annuity under section 408(a) or (b) of the Internal Revenue Code.

75 “Trust” means the trust in which the assets of the Program are held. Where applicable,
76 except as may be otherwise specified, references throughout this title to the Program generally
77 are intended to refer also to the Trust (including the assets, facilities, costs and expenses,
78 receipts, expenditures, activities, operations, administration, or management).

79 “Massachusetts Secure Choice Administrative Fund” or “Fund” is the fund described in
80 Section 10, below, that is established for the sole purpose of paying the administrative costs and
81 expenses of the Board and the Program.

82 2. Establishment of Board

83 (1) The Massachusetts Secure Choice Board is established in the Office of the State
84 Treasurer.

85 (2) The Board will consist of the following [nine] members, with the State Treasurer or
86 the designee of the State Treasurer serving as chair:

87 (a) The State Treasurer or the designee of the State Treasurer.

88 (b) An individual, appointed by the Governor, who has a favorable reputation for skill,
89 knowledge, and experience in the field of retirement saving and investments appointed by the
90 Governor.

91 (c) An individual, appointed by the Governor, who has a favorable reputation for skill,
92 knowledge, and experience relating to small business.

93 (d) An individual, appointed by the Speaker of the House, who is a representative of an
94 association representing employees or who has a favorable reputation for skill, knowledge, and
95 experience in the interests of employees in retirement saving.

96 (e) An individual, appointed by the President of the Senate, who has a favorable
97 reputation for skill, knowledge, and experience in the interests of employers in retirement saving.

98 (f) A retired individual, appointed by the Speaker of the House of Representatives, to be a
99 representative of the interests of retirees.

100 (g) An individual, appointed by the President of the Senate, who has a favorable
101 reputation for skill, knowledge, and experience in retirement investment products or retirement
102 plan designs.

103 (h) A member of the House of Representatives appointed by the Speaker of the House of
104 Representatives to be a nonvoting advisory member of the Board.

105 (i) A member of the Senate appointed by the President of the Senate to be a nonvoting
106 advisory member of the Board.

107 (3) The Governor, the Senate President, and the Speaker of the House shall first make
108 appointments to the Board for terms of office beginning no later than July 1, 2021

109 (4) Members of the Board appointed by the Governor, the Senate President, and the
110 Speaker of the House shall serve at the pleasure of the appointing authority.

111 (5) The term of office of each member of the Board is four years. A member is eligible
112 for reappointment. If there is a vacancy for any reason, the appropriate appointing authority shall
113 make an appointment to become immediately effective for the unexpired term.

114 (6) All members of the Board shall serve without compensation, and shall be reimbursed
115 from the Administrative Fund for necessary travel expenses incurred in carrying out their Board
116 duties.

117 (7) A majority of the voting members of the Board constitutes a quorum for the
118 transaction of business.

119 3. Powers, Authority, and Duties of the Board.

120 (1) The Board, subject to its authority and fiduciary duty, shall design, develop, and
121 implement the Program, and, to that end, may conduct market, legal, and feasibility analyses.

122 (2) The Board shall have the powers, authority, and duties to --

123 (a) Establish, implement, and maintain the Program.

124 (b) Cause the Program, Trust, and arrangements and accounts established under the
125 Program to be designed, established, and operated --

126 (1) In accordance with best practices for retirement saving vehicles;

127 (2) To encourage participation, saving, sound investment practices, and appropriate
128 selection of default investments,

129 (3) To maximize simplicity and ease of administration for Covered Employers,

130 (4) To minimize costs, including by collective investment and economies of scale,

131 (5) To promote portability of benefits, and

132 (6) To avoid preemption of the Program by Federal law.

133 (c) Arrange for collective, common, and pooled investment of assets of the Program and
134 Trust, including investments in conjunction with other funds with which these assets are
135 permitted to be collectively invested, with a view to saving costs through efficiencies and
136 economies of scale.

137 (d) Develop and disseminate educational information designed to educate participants
138 and citizens about the benefits of planning and saving for retirement and information to help
139 them decide the level of participation and savings strategies that may be appropriate for them,
140 including information in furtherance of financial capability and financial literacy.

141 (e) If necessary, determine the eligibility of an employer, employee, or other individual to
142 participate in the Program.

143 (f) Adopt rules and regulations it deems necessary or advisable for the implementation of
144 this title and the administration and operation of the Program consistent with the Internal
145 Revenue Code and regulations thereunder, including to ensure that the Program satisfies all
146 criteria for favorable Federal tax treatment and complies, to the extent necessary, with any other
147 applicable Federal or State law.

148 (g) Arrange for and facilitate compliance by the Program or arrangements established
149 under the Program with all applicable requirements for the Program under the Internal Revenue
150 Code, including requirements for favorable tax treatment of the IRAs, and under any other

151 applicable Federal or State law and accounting requirements, including using its best efforts to
152 implement procedures minimizing the risk that Covered Employees will contribute more to an
153 IRA than the amount they are eligible under the Internal Revenue Code to contribute to the IRA
154 on a tax-favored basis, and otherwise providing or arranging for assistance to Covered
155 Employers and Covered Employees in complying with applicable law and tax-related
156 requirements in a cost-effective manner. The Board may establish any processes that the Board
157 reasonably deems to be necessary or advisable to verify whether an employer is a Covered
158 Employer (including reference to on-line data and possible use of questions in employer State tax
159 filings), consistent with the objective of avoiding to the fullest extent practicable any
160 requirement that an employer that is not a Covered Employer register with the Program or take
161 other action to demonstrate that it maintains a Specified Tax-Favored Retirement Plan or is
162 exempt for other reasons from being treated as a Covered Employer.

163 (h) Employ or retain program administrator, executive director, staff, trustee,
164 recordkeeper, investment managers, investment advisors, other administrative, professional,
165 expert advisors and service providers, none of whom shall be members of the Board and all of
166 whom shall serve at the pleasure of the Board, and determine their duties and compensation. The
167 Board may authorize the executive director and other officials to oversee requests for proposals
168 or other public competitions and enter into contracts, as described in paragraph (m) of this
169 subsection (2), on behalf of the Board or conduct any business necessary for the efficient
170 operation of the Board.

171 (i) Establish procedures for the timely and fair resolution of participant and other disputes
172 related to accounts or program operation.

173 (j) Develop and implement an investment policy that defines the Program’s investment
174 objectives, consistent with the objectives of the Program, and that provides for policies and
175 procedures consistent with those investment objectives. The Board shall designate appropriate
176 default investments that include a mix of asset classes, such as target date and balanced funds.
177 The Board shall seek to minimize participant fees and expenses of investment and
178 administration. The Board shall strive to design and implement investment options available to
179 holders of accounts established as part of the Program and other Program features that are
180 intended to achieve maximum possible income replacement balanced with an appropriate level
181 of risk in an IRA-based environment consistent with the investment objectives under the policy.
182 The investment options may encompass a range of risk and return opportunities and allow for a
183 rate of return commensurate with an appropriate level of risk in view of the investment
184 objectives under the policy. The menu of investment options shall be determined taking into
185 account the nature and objectives of the Program, the desirability (based on behavioral research
186 findings) of limiting investment choices under the Program to a reasonable number, and the
187 extensive investment choices available to Participants in the event that they roll over to an IRA
188 outside the Program. In accordance with paragraph (h) of this subsection (2), the Board, to the
189 extent it deems it necessary or advisable, in its discretion, in carrying out its responsibilities and
190 exercising its powers under this and other paragraphs and provisions of this title, shall employ or
191 retain appropriate entities or personnel to assist or advise it or to whom to delegate the carrying
192 out of such responsibilities and exercise of such powers.

193 (k) Discharge its duties and see to it that the members of the Board discharge their duties
194 as fiduciaries with respect to the Program solely in the interest of the Participants as follows:

195 (i) for the exclusive purpose of providing benefits to Participants and defraying
196 reasonable expenses of administering the Program; and

197 (ii) with the care, skill, prudence, and diligence under the circumstances then prevailing
198 that a prudent person acting in a like capacity and familiar with those matters would use in the
199 conduct of an enterprise of a like character and with like aims.

200 (l) Cause expenses incurred to initiate, implement, maintain, and administer the Program
201 to be paid from contributions to, or investment returns or assets of, the Program or other money
202 collected by or for the Program or pursuant to arrangements established under the Program to the
203 extent permitted under Federal and State law.

204 (m) Collect application, account, or administrative fees and to accept any grants, gifts,
205 legislative appropriation, loans, and other moneys from the State, any unit of Federal, State, or
206 local government, or any other person, firm, or entity to defray the costs of administering and
207 operating the Program.

208 (n) Make and enter into competitively procured contracts, agreements, or arrangements,
209 to collaborate and cooperate with, and to retain, employ, and contract with or for any of the
210 following to the extent necessary or desirable, for the effective and efficient design,
211 implementation, and administration of the Program consistent with the purposes set forth in this
212 title and to maximize outreach to Covered Employers and Covered Employees:

213 (i) Services of private and public financial institutions, depositories, consultants,
214 actuaries, counsel, auditors, investment advisers, investment administrators, investment
215 management firms, other investment firms, third-party administrators, other professionals and
216 service providers, and State public retirement systems.

- 217 (ii) Research, technical, financial, administrative, and other services.
- 218 (iii) Services of other State agencies to assist the Board in the exercise of its powers and
219 duties.
- 220 (o) Develop and implement an outreach plan to gain input and disseminate information
221 regarding the Program and retirement savings in general, including timely information to
222 Covered Employers regarding the Program and how it applies to them, with special emphasis on
223 their ability at any time to sponsor a Specified Tax-Favored Retirement Plan which would
224 exempt them from any responsibilities under the Program.
- 225 (p) Cause moneys to be held and invested and reinvested under the Program.
- 226 (q) Ensure that all contributions to IRAs under the Program may be used only to (i) pay
227 benefits to Participants under the Program, (ii) pay the cost of administering the Program, and
228 (iii) make investments for the benefit of the Program, and that no assets of the Program or Trust
229 are transferred to the general fund of the State or to any other fund of the State or are otherwise
230 encumbered or used for any purpose other than those specified in this subsection (2)(p).
- 231 (r) Make provision for the payment of costs of administration and operation of the
232 Program and Trust.
- 233 (s) Consider whether or not procedures should be issued to allow employers that are not
234 Covered Employers because they are exempt from Covered Employer status to voluntarily
235 participate in the Program by automatically enrolling their employees, taking into account,
236 among other considerations, the potential legal consequences and the degree of employer
237 demand to participate or facilitate participation by employees.

238 (t) Evaluate the need for, and procure if and as needed, insurance against any and all loss
239 in connection with the property, assets, or activities of the Program. Evaluate the need for, and
240 procure if and as deemed necessary, pooled private insurance.

241 (u) Indemnify, including procurement of insurance if and as needed for this purpose, each
242 member of the Board from personal loss or liability resulting from a member's action or inaction
243 as a member of the Board.

244 (v) Collaborate with, and evaluate the role of, financial advisors or other financial
245 professionals, including in assisting and providing guidance for Covered Employees.

246 (w) Carry out its powers and duties under the Program pursuant to this title and exercise
247 any and all other powers as are appropriate for the effectuation of the purposes, objectives, and
248 provisions of this title pertaining to the Program.

249 (3) A Board member, program administrator, and other staff of the Board shall not --

250 (a) Directly or indirectly have any interest in the making of any investment under the
251 Program or in gains or profits accruing from any such investment.

252 (b) Borrow any Program-related funds or deposits, or use any such funds or deposits in
253 any manner, for himself or herself or as an agent or partner of others.

254 (c) Become an endorser, surety, or obligor on investments made under the Program.

255 4. Requirements for the Massachusetts Secure Choice Program.

256 The Program developed and established by the Board under this title must --

257 (a) Allow eligible individuals in the State to voluntarily choose whether or not to
258 contribute to an IRA under the Program, including allowing Covered Employees in the State the
259 choice to contribute to an IRA through payroll deduction under the Program.

260 (b) Require each Covered Employer to offer its employees the voluntary choice whether
261 or not to contribute to a Payroll Deduction IRA by automatically enrolling them in the Payroll
262 Deduction IRA with the opportunity to opt out.

263 (c) Provide that the IRA to which contributions are made will be a Roth IRA, except that
264 the Board shall have the authority at any time, to add an option for all participants to
265 affirmatively elect to contribute to a traditional IRA as an alternative to the Roth IRA.

266 (d) Provide that, unless otherwise specified by a Covered Employee, the Covered
267 Employee shall automatically contribute 6% of the Covered Employee's salary or wages to the
268 Program or may elect to opt out of the Program or contribute at a higher or lower rate (expressed
269 as a percentage of salary or wages), subject in all cases to the IRA contribution dollar limits
270 applicable under the Internal Revenue Code. The Board is authorized to change the default
271 contribution rate in its discretion.

272 (e) Provide on a uniform basis, if and when the Board so determines, in its discretion, for
273 annual increases of each Participant's contribution rate, by not more than 1% of salary or wages
274 per year up to a maximum of 10%. Any such increases shall apply to Participants, as determined
275 by the Board, by default or only if initiated by affirmative Participant election, in either case
276 subject to the IRA contribution limits applicable under the Internal Revenue Code.

277 (f) Provide for direct deposit of contributions into investments under the Program.

278 (g) Be professionally managed.

279 (h) Permit no employer contributions by Covered Employers.

280 (i) Provide for reports on the status of each Participant's account to be provided to each
281 Participant at least annually.

282 (j) When possible and practicable, use existing employer and public infrastructure to
283 facilitate contributions, recordkeeping, and outreach and use pooled or collective investment
284 arrangements.

285 (k) Provide that each account holder owns the contributions to or earnings on amounts
286 contributed to his or her account under the Program and that the State and employers have no
287 proprietary interest in those contributions or earnings.

288 (l) Be designed and implemented in a manner consistent with Federal law to the extent
289 that it applies and consistent with the Program not being preempted by ERISA.

290 (m) Make provision for the participation in the Program of individuals who are not
291 employees, as provided in subsection 5(1), below.

292 (n) Keep Total Fees and Expenses as low as practicable and in any event each year not in
293 excess of 0.75 of one percent (75 basis points) of the total assets of the Program, except that this
294 limit shall not apply during a start-up period of three years beginning with the initial
295 implementation of the Program.

296 (o) Establish rules and procedures governing the distribution of funds from the Program,
297 including such distributions as may be permitted or required by the Program and any applicable
298 provisions of tax laws, with the objectives of maximizing financial security in retirement,

299 helping to protect spousal rights, and assisting Participants with the challenges of decumulation
300 of savings. The Board shall have the authority, in its discretion, to provide for one or more
301 reasonably priced distribution options to provide a source of fixed retirement income, including
302 income for life or for the Participant's life expectancy (or for joint lives and life expectancies, as
303 applicable).

304 (p) Establish rules and procedures promoting portability of benefits, including the ability
305 to make tax-free rollovers or transfers from IRAs under the Program to other IRAs or to tax-
306 qualified plans that accept such rollovers or transfers provided any roll-over is initiated by
307 participants and not solicited by agents or brokers.

308 5. Responsibilities of Covered Employers

309 (1) A covered employer satisfies its obligations to its eligible employees under this Act
310 by doing any one of the following:

311 a. Establishing an employer-sponsored retirement plan, such as a single-employer defined
312 benefit plan or a 401(k), Simplified Employee Pension (SEP) plan, or Savings Incentive Match
313 Plan for Employees (SIMPLE) plan, or to offer an automatic enrollment payroll deduction IRA,
314 or becoming a contributing employer to a multiemployer pension plan described in Sec. 414(f) of
315 Title 26 of the United States Code;

316 b. Becoming a participating employer in the CORE plan as described in 29 MGL 64E; or

317 c. Automatically enrolling eligible employees in the Massachusetts Secure Choice
318 Program, as described in 29 MGL 64F.

319 (2) The Program developed and established by the Board under this title must provide
320 that, if a Covered Employer fails without reasonable cause to enroll a Covered Employee as
321 required under subsection 5(1) above:

322 (i) the Covered Employer shall be subject to a penalty equal to \$250 for each Covered
323 Employee for each calendar year or portion thereof during which the Covered Employee neither
324 was enrolled in the Program nor had elected out of participation in the Program; and the Covered
325 Employee or any appropriate official of the State may bring a civil action to require the Covered
326 Employer to enroll the Covered Employee and shall recover such costs and reasonable attorney's
327 fees as may be allowed by the court; and

328 (ii) for each calendar year beginning after the date on which a penalty has been assessed
329 with respect to a Covered Employee, \$500 for any portion of that calendar year during which the
330 Covered Employee continues to be unenrolled without electing out of participation in the
331 Program.

332 (3) No penalty shall be imposed under subsection 5(2) on any failure for which it is
333 established that the Covered Employer subject to liability for the penalty did not know that the
334 failure existed and exercised reasonable diligence to meet the requirements of paragraph 1 of this
335 subsection 5(1) above.

336 (4) No penalty shall be imposed under subsection 5(2) on any failure if (A) the Covered
337 Employer subject to liability for the penalty exercised reasonable diligence to meet those
338 requirements and (B) the Covered Employer complies with those requirements with respect to
339 each Covered Employee by the end of the 90-day period beginning on the first date the Covered
340 Employer knew, or exercising reasonable diligence would have known, that the failure existed.

341 (5) In the case of a failure that is due to reasonable cause and not to willful neglect, all or
342 part of the penalty may be waived to the extent that the payment of the penalty would be
343 excessive or otherwise inequitable relative to the failure involved.

344 (6) Provide that, if a Covered Employer fails to transmit a payroll deduction contribution
345 to the Program on the earliest date the amount withheld from the Covered Employee's
346 compensation can reasonably be segregated from the Covered Employer's assets, but not later
347 than the 15th day of the month following the month in which the Covered Employee's
348 contribution amounts are withheld from his or her paycheck, the failure to remit such
349 contributions on a timely basis shall be subject to the same sanctions as employer
350 misappropriation of employee wage withholdings and to the penalties specified in subsection
351 5(2), above.

352 6. Rules for the Massachusetts Secure Choice Program.

353 The Board shall adopt rules to implement the Program that --

354 (1) Establish the processes for enrollment and contributions to IRAs under the Program,
355 including withholding by Covered Employers of employee payroll deduction contributions from
356 wages and remittance for deposit to IRAs, automatic enrollment in Payroll Deduction IRAs and
357 opt-outs by Covered Employees, voluntary contributions by others, including self-employed
358 individuals and independent contractors, through payroll deduction or otherwise, the making of
359 default contributions using default investments, and participant selection of alternative
360 contribution rates or amounts and alternative investments from among the options offered under
361 the Program.

362 (2) Establish the processes for withdrawals, rollovers, and direct transfers from IRAs
363 under the Program in the interest of facilitating portability and maximization of benefits.

364 (3) Establish processes for phasing in enrollment of eligible individuals, including
365 phasing in enrollment of Covered Employees by size or type of Covered Employer, beginning
366 with the initial applicability date specified in this Act.

367 (4) Conduct outreach to individuals, employers, other stakeholders, and the public
368 regarding the Program. Specify the contents, frequency, timing, and means of required
369 disclosures from the Program to Covered Employees, Participants, other individuals eligible to
370 participate in the Program, Covered Employers, and other interested parties. These disclosures
371 shall include, but need not be limited to –

372 (a) The benefits associated with tax-favored retirement saving;

373 (b) The potential advantages and disadvantages associated with contributing to Roth
374 IRAs and, if applicable, traditional IRAs under the Program;

375 (c) The eligibility rules for Roth IRAs and, if applicable, traditional IRAs;

376 (d) That the individual (and not the employer, the State, the Board, any Board member or
377 other State official, or the Program) will be solely responsible for determining whether, and, if
378 so, how much, the individual is eligible to contribute on a tax-favored basis to an IRA;

379 (e) The penalty for excess contributions to IRAs and the method of correcting excess
380 contributions;

381 (f) Instructions for enrolling, making contributions, and opting out of participation;

382 (g) Instructions for opting out of each of the Roth IRA, the default contribution rate, and
383 the default investment if the Covered Employee prefers a traditional IRA (including the
384 possibility of contributing to a traditional IRA if offered as an option under the Program or,
385 whether or not offered under the Program, by means other than auto enrollment in payroll
386 deduction IRAs), a higher or lower contribution rate, or a different investment alternative;

387 (h) The potential availability of a saver's tax credit, including the eligibility conditions
388 for the credit and instructions on how to claim it;

389 (i) That employees seeking tax, investment, or other financial advice should contact
390 appropriate professional advisors, and that Covered Employers are not in a position to provide
391 such advice and are not liable for decisions individuals make in relation to the Program;

392 (j) That the Payroll Deduction IRAs are intended not to be employer-sponsored
393 retirement plans and that the Program is not an employer-sponsored retirement plan;

394 (k) The potential implications of account balances under the Program for the application
395 of asset limits under certain public assistance programs;

396 (l) That the account owner is solely responsible for investment performance, including
397 market gains and losses, and that IRA accounts and rates of return are not guaranteed by any
398 employer, the State, the Board, any Board member or State official, or the Program;

399 (m) Additional information about retirement and saving and other information designed
400 to promote financial literacy and capability (which may take the form of links to, or explanations
401 of how to obtain, such information), and

402 (n) How to obtain additional information about the Program.

403 (5) Nothing in this legislation prohibits the state from entering into an arrangement with
404 other governmental entities, including other states or their agencies or instrumentalities, to
405 implement this program.

406 7. Protection from Liability for Employers.

407 (1) A Covered Employer or other employer is not and shall not be liable for or bear
408 responsibility for --

409 (a) An employee's decision to participate in or opt out of the Program;

410 (b) Participants' or the Board's investment decisions;

411 (c) The administration, investment, investment returns, or investment performance of the
412 Program, including without limitation any interest rate or other rate of return on any contribution
413 or account balance, provided they played no role;

414 (d) The Program design or the benefits paid to Participants;

415 (e) Individuals' awareness of or compliance with the conditions and other provisions of
416 the tax laws that determine which individuals are eligible to make tax-favored contributions to
417 IRAs, in what amount, and in what time frame and manner;

418 (f) Any loss, failure to realize any gain, or any other adverse consequences, including
419 without limitation any adverse tax consequences or loss of favorable tax treatment, public
420 assistance, or other benefits, incurred by any person as a result of participating in the Program.

421 (2) No Covered Employer or other employer shall be, or shall be considered to be, a
422 fiduciary in relation to the Program or Trust or any other arrangement under the Program.

423 8. Protection from Liability for the State.

424 (1) The State, the Board, each member of the Board or other State official, other State
425 boards, commissions, or agencies, any member, officer, or employee thereof, and the Program --

426 (a) have no responsibility for compliance by individuals with the conditions and other
427 provisions of the Internal Revenue Code that determine which individuals are eligible to make
428 tax-favored contributions to IRAs, in what amount, and in what time frame and manner,

429 (b) have no duty, responsibility, or liability to any party for the payment of any benefits
430 under the Program, regardless of whether sufficient funds are available under the Program to pay
431 such benefits,

432 (c) do not and shall not guarantee any interest rate or other rate of return on or investment
433 performance of any contribution or account balance, and

434 (d) are not and shall not be liable or responsible for any loss, deficiency, failure to realize
435 any gain, or any other adverse consequences, including without limitation any adverse tax
436 consequences or loss of favorable tax treatment, public assistance or other benefits, incurred by
437 any person as a result of participating in the Program.

438 (2) The debts, contracts, and obligations of the Program or the Board are not the debts,
439 contracts, and obligations of the State, and neither the faith and credit nor the taxing power of the
440 State is pledged directly or indirectly to the payment of the debts, contracts, and obligations of
441 the Program or the Board.

442 9. Confidentiality of Participant and Account Information.

443 Individual account information relating to accounts under the Program and relating to
444 individual Participants (including but not limited to names, addresses, telephone numbers, email
445 addresses, personal identification information, investments, contributions, and earnings) is
446 confidential and must be maintained as confidential –

447 (1) Except to the extent necessary to administer the Program in a manner consistent with
448 this title, the tax laws of this state, and the Internal Revenue Code; or

449 (2) Unless the individual who provides the information or is the subject of the
450 information expressly agrees in writing to the disclosure of the information.

451 10. Intergovernmental Collaboration and Cooperation.

452 The Board may enter into an intergovernmental agreement or memorandum of
453 understanding with the State and any agency of the State to receive outreach, technical
454 assistance, enforcement and compliance services, collection or dissemination of information
455 pertinent to the Program (subject to such obligations of confidentiality as may be agreed or
456 required by law), or other services or assistance. The State and any agencies of the State that
457 enter into such agreements or memoranda of understanding shall collaborate to provide the
458 outreach, assistance, information, and compliance or other services or assistance to the Board.
459 The memoranda of understanding may cover the sharing of costs incurred in gathering and
460 disseminating information and the reimbursement of costs for any enforcement activities or
461 assistance.

462 11. Funding of Program.

463 (1) The Massachusetts Secure Choice Administrative Fund is established in the State
464 Treasury, to be held in trust separate and distinct from the General Fund. Interest earned by the
465 Administrative Fund shall be credited to the Administrative Fund. Moneys in the Administrative
466 Fund are continuously appropriated to the Board.

467 (2) The Massachusetts Secure Choice Administrative Fund consists of –

468 (a) Moneys appropriated to the Administrative Fund by the State legislature;

469 (b) Moneys transferred to the Administrative Fund from the Federal government, other
470 State agencies, or local governments;

471 (c) Moneys from the payment of application, account, administrative, or other fees and
472 the payment of other moneys due the Board;

473 (d) Any gifts, donations, or grants made to the State for deposit in the Administrative
474 Fund;

475 (e) Moneys collected for the Administrative Fund from contributions to, or investment
476 returns or assets of, the Program or other moneys collected by or for the Program or pursuant to
477 arrangements established under the Program to the extent permitted under Federal and State law;
478 and

479 (f) Earnings on moneys in the Administrative Fund.

480 (3) The Board shall accept any grants, gifts, appropriations, or other moneys from the
481 State, any unit of federal, State, or local government, or any other person, firm, partnership,
482 corporation, or other entity solely for deposit into the Administrative Fund, whether for
483 investment or administrative expenses.

484 (4) To enable or facilitate the start-up and continuing operation, maintenance,
485 administration, and management of the Program until the Program accumulates sufficient
486 balances and can generate sufficient funding through fees assessed on Program accounts for the
487 Program to become financially self-sustaining, (i) the Board may borrow from the State, any unit
488 of federal, State, or local government, or any other person, firm, partnership, corporation, or
489 other entity working capital funds and other funds as may be necessary for this purpose, provided
490 that such funds are borrowed in the name of the Program and Board only and that any such
491 borrowings shall be payable solely from the revenues of the Program; and (ii) the Board may
492 enter into long-term procurement contracts with one or more financial providers that provide a
493 fee structure that would assist the Program in avoiding or minimizing the need to borrow or to
494 rely upon general assets of the State.

495 (5) Subject to appropriation, the State may pay administrative costs associated with the
496 creation, maintenance, operation, and management of the Program and Trust until sufficient
497 assets are available in the Administrative Fund for that purpose. Thereafter, all administrative
498 costs of the Administrative Fund, including any repayment of start-up funds provided by the
499 State, shall be repaid only out of moneys on deposit therein. However, private funds or Federal
500 funding received in order to implement the Program until the Administrative Fund is self-
501 sustaining shall not be repaid unless those funds were offered contingent upon the promise of
502 such repayment.

503 (6) The Board may use the moneys in the Administrative Fund solely to pay the
504 administrative costs and expenses of the Program and the administrative costs and expenses the
505 Board incurs in the performance of its duties under this title.

506 Section 12. Audits and Annual Reports.

507 (1) The Board shall cause an accurate account of all of the Program's, Trust's, and
508 Board's activities, operations, receipts, and expenditures to be maintained. Each year, a full audit
509 of the books and accounts of the Board pertaining to those activities, operations, receipts and
510 expenditures, personnel, services, or facilities shall be conducted by a certified public accountant
511 and shall include, but not be limited to, direct and indirect costs attributable to the use of outside
512 consultants, independent contractors, and any other persons who are not State employees for the
513 administration of the Program. For the purposes of the audit, the auditors shall have access to the
514 properties and records of the Program and Board and may prescribe methods of accounting and
515 the rendering of periodic reports in relation to projects undertaken by the Program.

516 (2) By August 1 of each year, the Board shall submit to the Governor, the State
517 Treasurer, and the appropriate committees of the Senate and House an audited financial report,
518 prepared in accordance with generally accepted accounting principles, detailing the activities,
519 operations, receipts, and expenditures of the Program and Board during the preceding calendar
520 year. The report shall also include projected activities of the Program for the current calendar
521 year.

522 (3) The Board shall prepare an annual report on the operation of the program to be
523 available to all citizens and provided to appropriate state officials.

524 Section 13. Effective Date and Applicability Dates.

525 (1) This Act takes effect on the date on which it is signed into law.

526 (2) The Board shall establish the Program so that individuals can begin contributing
527 under the Program not later than January 1st 2022.

528 (3) The Board may in its discretion phase in the Program so that the ability to contribute
529 first applies on different dates for different classes of individuals, including employees of
530 employers of different sizes or types and individuals who are not employees (self-employed,
531 independent contractors, etc.). However, any such staged or phased-in implementation schedule
532 must be substantially completed not later than January 1st 2024.

533 (4) The Board shall not implement the Program if and to the extent that it determines that
534 the Program is preempted by ERISA. Accordingly, if and as needed, the Board shall implement
535 the Program in a severable fashion to the extent practicable: if and to the extent that the Board
536 determines --

537 (a) that a portion or aspect of the Program is preempted by ERISA, the Board shall not
538 implement that portion or aspect of the Program but shall proceed to implement the remainder of
539 the Program to the extent practicable; or

540 (b) that some but not all of the Payroll Deduction IRA Arrangements or other
541 arrangements under the Program are or would be employee benefit plans under ERISA, the
542 Board shall proceed to implement the Program with respect to the other arrangements under the
543 Program to the extent practicable.

544 14. Severability.

545 The provisions of this Section and this title shall be severable and, if any of these
546 provisions is held to be unconstitutional or invalid, the validity of the remaining provisions of
547 this Section and this title will not be affected.