

# STATE OF NEW YORK

8654

## IN SENATE

March 25, 2022

Introduced by Sen. SAVINO -- read twice and ordered printed, and when printed to be committed to the Committee on Consumer Protection

AN ACT to amend the general business law, in relation to the secure choice savings program and participating individuals

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

- 1 Section 1. Section 1300 of the general business law, as added by  
2 section 2 of part X of chapter 55 of the laws of 2018 and subdivisions 4  
3 and 8 as amended by chapter 452 of the laws of 2021, is amended to read  
4 as follows:
- 5 § 1300. Definitions. All terms shall have the same meaning as when  
6 used in a comparable context in the Internal Revenue Code. As used in  
7 this article, the following terms shall have the following meanings:
- 8 1. "Board" shall mean the New York secure choice savings program board  
9 established under this article.
- 10 2. "Superintendent" shall mean the superintendent of the department of  
11 financial services.
- 12 2-a. "Commissioner" shall mean the commissioner of taxation and  
13 finance.
- 14 2-b. "Comptroller" shall mean the comptroller of the state.
- 15 3. "Employee" shall mean any individual who is eighteen years of age  
16 or older, who is employed by an employer, and who earned wages working  
17 for an employer in New York state during a calendar year.
- 18 4. "Employer" shall mean a person or entity engaged in a business,  
19 industry, profession, trade, or other enterprise in New York state,  
20 whether for profit or not for profit, that (i) has at all times during  
21 the previous calendar year employed at least ten employees in the state,  
22 (ii) has been in business at least two years, and (iii) has not offered  
23 a qualified retirement plan, including, but not limited to, a plan qual-  
24 ified under sections 401(a), 401(k), 403(a), 403(b), 408(k), 408(p) or  
25 457(b) of the Internal Revenue Code of 1986 in the preceding two years.
- 26 5. "Enrollee" shall mean any employee who is enrolled in the program.
- 27 6. "Internal Revenue Code" shall mean the Internal Revenue Code of  
28 1986, or any successor law, in effect for the calendar year.

EXPLANATION--Matter in italics (underscored) is new; matter in brackets  
[-] is old law to be omitted.

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1 7. "IRA" shall mean a Roth IRA (individual retirement account).

2 8. "Participating employer" shall mean an employer that facilitates  
3 access to the program's payroll deduction IRA as provided for by this  
4 article for its employees who are enrollees in the program.

5 9. "Participating individual" means any individual who enrolls in the  
6 program independent of an employment relationship with an eligible  
7 employer, maintains an account in the program, and is not a participat-  
8 ing employee.

9 10. "Payroll deduction IRA" shall mean an arrangement by which a  
10 participating employer facilitates access for enrollees to remit payroll  
11 deduction contributions to the program.

12 [~~10~~] 11. "Program" shall mean the New York state secure choice  
13 savings program.

14 [~~11~~] 12. "Wages" means any compensation within the meaning of section  
15 219(f)(1) of the Internal Revenue Code that is received by an enrollee  
16 from a participating employer during the calendar year.

17 § 2. Section 1301 of the general business law, as amended by chapter  
18 452 of the laws of 2021, is amended to read as follows:

19 § 1301. Program established. There is hereby established a retirement  
20 savings program in the form of an automatic enrollment payroll deduction  
21 IRA and a retirement savings program in the form of a personal IRA as  
22 established by the board for participating individuals, known as the New  
23 York state secure choice savings program. The general administration and  
24 responsibility for the proper operation of the program shall be adminis-  
25 tered by the board for the purpose of promoting greater retirement  
26 savings for private-sector employees and participating individuals in a  
27 convenient, low-cost, and portable manner. The board may delegate such  
28 authority and responsibility for the development and implementation of  
29 the program to the department of taxation and finance as the board deems  
30 proper.

31 § 3. Section 1303 of the general business law, as added by section 2  
32 of part X of chapter 55 of the laws of 2018, is amended to read as  
33 follows:

34 § 1303. Fiduciary duty. The board, the individual members of the  
35 board, the trustees, any other agents appointed or engaged by the board,  
36 and all persons serving as program staff shall discharge their duties  
37 with respect to the program solely in the interest of the program's  
38 enrollees, participating individuals, and beneficiaries as follows:

39 1. for the exclusive purposes of providing benefits to enrollees,  
40 participating individuals, and beneficiaries and defraying reasonable  
41 expenses of administering the program;

42 2. by investing with the care, skill, prudence, and diligence under  
43 the prevailing circumstances that a prudent person acting in a like  
44 capacity and familiar with those matters would use in the conduct of an  
45 enterprise of a like character and with like aims; and

46 3. by using any contributions paid by participating individuals,  
47 employees and employers remitting employees' own contributions into the  
48 fund exclusively for the purpose of paying benefits to the enrollees of  
49 the program, for the cost of administration of the program, and for  
50 investments made for the benefit of the program.

51 § 4. Section 1304 of the general business law, as added by section 2  
52 of part X of chapter 55 of the laws of 2018 and subdivisions 7 and 9 as  
53 amended by chapter 452 of the laws of 2021, is amended to read as  
54 follows:

1 § 1304. Duties of the board. In addition to the other duties and  
2 responsibilities stated in this article, the board shall, itself or  
3 through the use of appropriate financial organizations as managers:

4 1. Cause the program to be designed, established and operated in a  
5 manner that:

6 (a) accords with best practices for retirement savings vehicles;

7 (b) maximizes participation, savings, and sound investment practices  
8 including considering the use of automatic enrollment as allowed under  
9 federal law;

10 (c) maximizes simplicity, including ease of administration for partic-  
11 ipating employers [~~and~~] enrollees, and participating individuals;

12 (d) provides an efficient product to enrollees and participating indi-  
13 viduals by pooling investment funds;

14 (e) ensures the portability of benefits; and

15 (f) provides for the deaccumulation of enrollee and participating  
16 individual assets in a manner that provides a financial benefit in  
17 retirement.

18 2. Explore and establish or authorize investment options, subject to  
19 this article, that offer enrollees and participating individual returns  
20 on contributions and the conversion of individual retirement savings  
21 account balances to secure retirement income without incurring debt or  
22 liabilities to the state.

23 3. Establish or authorize the process by which interest, investment  
24 earnings, and investment losses are allocated to individual program  
25 accounts on a pro rata basis and are computed at the interest rate on  
26 the balance of an individual's account.

27 4. Make and enter into contracts necessary for the administration of  
28 the program and fund, including, but not limited to, retaining and  
29 contracting with investment managers, financial organizations, other  
30 financial and service providers, consultants, actuaries, counsel, audi-  
31 tors, third-party administrators, and other professionals as necessary.

32 5. Conduct a periodic review of the performance of any financial  
33 organizations, including, but not limited to, a review of returns, fees,  
34 and customer service. A copy of reviews shall be posted to the program's  
35 Internet website.

36 6. Cause moneys in the program to be held and invested as pooled  
37 investments or otherwise, with a view to achieving cost savings through  
38 efficiencies and economies of scale.

39 7. Evaluate and establish or authorize the process for:

40 (a) an enrollee to contribute a portion of his or her wages to the  
41 program via payroll deduction; and

42 (b) the enrollment of participating employers in the program.

43 8. The board may contract with financial organizations and third-party  
44 administrators with the capability to receive and process employee  
45 information and contributions for payroll deduction IRA or similar  
46 arrangements.

47 9. Evaluate and establish or authorize the process for enrollment  
48 including the process by which an employee may opt not to participate in  
49 the program, select a contribution level, select an investment option,  
50 and terminate participation in the program.

51 10. Evaluate and establish or authorize the process for the partic-  
52 ipation and enrollment of any participating individual who is at least  
53 eighteen years of age and has New York taxable income within the calen-  
54 dar year. Such process may include the ability to make personal contrib-  
55 utions from a bank account. The board shall also consider the ability  
56 for participating individuals to select their contribution level which

1 may be expressed as a set dollar amount upon enrollment, the frequency  
2 of such contributions, the ability to make such contributions by direct  
3 deposit, ability to select investment options, and the termination proc-  
4 ess.

5 11. Evaluate, or cause to be evaluated, the need for, and procure as  
6 needed, insurance against any and all loss in connection with the prop-  
7 erty, assets, or activities of the program, and indemnify as needed each  
8 member of the board from personal loss or liability resulting from a  
9 member's action or inaction as a member of the board.

10 [~~11~~] 12. Make provisions for the payment of administrative costs and  
11 expenses for the creation, management, and operation of the program.  
12 Subject to appropriation, the state may pay administrative costs associ-  
13 ated with the creation and management of the program until sufficient  
14 assets are available in the program for that purpose. Thereafter, all  
15 administrative costs of the program, including repayment of any start-up  
16 funds provided by the state, shall be paid only out of moneys on deposit  
17 therein. However, private funds or federal funding received in order to  
18 implement the program until it is self-sustaining shall not be repaid  
19 unless those funds were offered contingent upon the promise of such  
20 repayment. The board shall keep its annual administrative expenses as  
21 low as possible.

22 [~~12~~] 13. Allocate administrative fees to individual retirement  
23 accounts in the program on a pro rata basis.

24 [~~13~~] 14. Set or authorize minimum and maximum contribution levels in  
25 accordance with limits established for IRAs by the Internal Revenue  
26 Code.

27 [~~14~~] 15. Facilitate education and outreach to employers and employ-  
28 ees[~~+~~] and facilitate the development of educational materials for  
29 participating individuals.

30 [~~15~~] 16. Facilitate compliance by the program with all applicable  
31 requirements for the program under the Internal Revenue Code, including  
32 tax qualification requirements or any other applicable legal, financial  
33 reporting and accounting requirements.

34 [~~16~~] 17. Carry out the duties and obligations of the program in an  
35 effective, efficient, and low-cost manner.

36 [~~17~~] 18. Exercise any and all other powers reasonably necessary for  
37 the effectuation of the purposes, objectives, and provisions of this  
38 article.

39 [~~18~~] 19. Determine or authorize withdrawal provisions, such as  
40 economic hardships, portability and leakage.

41 [~~19~~] 20. Determine employee rights and enforcement of penalties.

42 [~~20~~] 21. Delegate such authority and responsibility for the develop-  
43 ment and implementation of the program to the department of taxation and  
44 finance as the board deems proper.

45 § 5. Section 1307 of the general business law, as added by section 2  
46 of part X of chapter 55 of the laws of 2018, is amended to read as  
47 follows:

48 § 1307. Investment options. 1. The board shall establish or authorize  
49 a default investment option for enrollees and participating individuals  
50 who fail to elect an investment option. In making such determination,  
51 the board shall consider the cost, risk profile, benefit level and ease  
52 of enrollment. The board may change the default option if the board  
53 determines that such change is in the best interests of the enrollees.

54 2. The board may establish or authorize any additional investment  
55 options that the board deems appropriate including but not limited to:

56 (a) a conservative principal protection fund;

1 (b) a growth fund;

2 (c) a secure return fund whose primary objective is the preservation  
3 of the safety of principal and the provision of a stable and low-risk  
4 rate of return; if the board elects to establish a secure return fund,  
5 the board may procure any insurance, annuity, or other product to insure  
6 the value of enrollees' and participating individuals' accounts and  
7 guarantee a rate of return; the cost of such funding mechanism shall be  
8 paid out of the fund; under no circumstances shall the board, program,  
9 fund, the state, or any participating employer assume any liability for  
10 investment or actuarial risk; the board shall determine whether to  
11 establish or authorize such investment options based upon an analysis of  
12 their cost, risk profile, benefit level, feasibility, and ease of imple-  
13 mentation;

14 (d) an annuity fund;

15 (e) a growth and income fund; or

16 (f) a life cycle fund with a target date based upon factors determined  
17 by the board.

18 § 6. Section 1308 of the general business law, as added by section 2  
19 of part X of chapter 55 of the laws of 2018, is amended as follows:

20 § 1308. Benefits. Interest, investment earnings, and investment losses  
21 shall be allocated to individual program accounts as authorized by the  
22 board pursuant to this article. An individual's retirement savings bene-  
23 fit under the program shall be an amount equal to the balance in the  
24 individual's program account on the date the retirement savings benefit  
25 becomes payable. The state shall have no liability for the payment of  
26 any benefit to any enrollee or participating individual in the program.

27 § 7. Section 1309 of the general business law, as added by section 2  
28 of part X of chapter 55 of the laws of 2018 and subdivisions 3, 4 and 5  
29 as amended by chapter 452 of the laws of 2021, is amended to read as  
30 follows:

31 § 1309. Employer and employee and participating individual informa-  
32 tional materials and disclosure forms. 1. Prior to the opening of the  
33 program for enrollment, the board shall design and disseminate, or cause  
34 to be designed and disseminated, to all employers employer informational  
35 materials and employee informational materials, which shall include  
36 background information on the program, and necessary disclosures as  
37 required by law for employees.

38 2. Prior to the opening of the program for enrollment for participat-  
39 ing individuals, the board shall design and make publicly available  
40 informational materials which shall include background information on  
41 the program and how to participate as a participating individual,  
42 including but not limited to, information on the benefits and risks  
43 associated with making contributions to the program, the process for  
44 making contributions, the contribution levels they may contribute, the  
45 process for withdrawal of retirement savings, and the process for  
46 selecting beneficiaries.

47 3. The employee and participating individual informational materials  
48 shall be made available in English, Spanish, Haitian Creole, Chinese,  
49 Korean, Russian, Arabic, and any other language the board deems neces-  
50 sary.

51 [~~3~~] 4. The employee and participating individual informational mate-  
52 rials shall include a disclosure form. The disclosure form shall  
53 explain, but not be limited to, all of the following:

54 (a) the benefits and risks associated with making contributions to the  
55 program;

56 (b) the process for making contributions to the program;

- 1 (c) how to opt out of the program;
- 2 (d) the process by which an employee and a participating individual
- 3 can participate in the program with a level of employee contributions
- 4 other than three percent;
- 5 (e) that they are not required to participate or contribute more than
- 6 three percent;
- 7 (f) the process for withdrawal of retirement savings;
- 8 (g) the process for selecting beneficiaries of their retirement
- 9 savings;
- 10 (h) how to obtain additional information about the program;
- 11 (i) that employees and participating individuals seeking financial
- 12 advice should contact financial advisors, that participating employers
- 13 are not in a position to provide financial advice, and that participat-
- 14 ing employers are not liable for decisions employees make pursuant to
- 15 this article;
- 16 (j) information on how to access any available financial literacy
- 17 programs;
- 18 (k) that the program fund is not guaranteed by the state; and
- 19 (l) that they can opt out after they have been enrolled.
- 20 ~~[4-]~~ 5. The employee informational materials shall also include a form
- 21 for an employee to note his or her decision to opt out of participation
- 22 in the program or elect to participate with a level of employee contrib-
- 23 utions other than three percent.
- 24 ~~[5-]~~ 6. Participating employers shall supply the employee informa-
- 25 tional materials to existing employees at least one month prior to the
- 26 participating employers' facilitation of access to the program. Partic-
- 27 ipating employers shall supply the employee informational materials to
- 28 new employees at the time of hiring and new employees may opt out of
- 29 participation in the program.
- 30 § 8. The general business law is amended by adding a new section
- 31 1310-a to read as follows:
- 32 § 1310-a. Program implementation and enrollment. Except as otherwise
- 33 provided in this article, the program shall be implemented, and enroll-
- 34 ment of participating individuals shall begin no later than December
- 35 thirty-first, two thousand twenty-two. The provisions of this section
- 36 shall be in force after the board opens the program for enrollment.
- 37 1. Participating individuals shall have the ability to make contribu-
- 38 tions into the program by personal contributions from a bank account or
- 39 by other means as determined by the board. The participating individual
- 40 shall be able to select the frequency and the contribution level which
- 41 may be expressed as a set dollar amount up to the deductible amount for
- 42 the participating individual's taxable year under section 219(b)(1)(A)
- 43 of the Internal Revenue Code subject to rules promulgated by the board.
- 44 Participating individuals may change their contribution level at any
- 45 time, subject to rules promulgated by the board.
- 46 2. Participating individuals may select an investment option offered
- 47 under the program. Participating individuals may change their investment
- 48 option at any time, subject to rules promulgated by the board. In the
- 49 event that a participating individual fails to select an investment
- 50 option, that participating individual shall be placed in the investment
- 51 option selected or authorized by the board as the default under this
- 52 article.
- 53 3. A participating individual may terminate his or her enrollment in
- 54 the program at any time in a manner prescribed by the board.
- 55 4. The board shall establish and maintain or authorize the establish-
- 56 ment and maintenance of a secure website wherein participating individ-

1 uals may log in and acquire information regarding contributions and  
2 investment income allocated to, withdrawals from, and balances in their  
3 program accounts for the reporting period. Such website must also  
4 include information for the participating individual regarding other  
5 options available to the individual and how they can transfer their  
6 accounts to other programs should they wish to do so. Such website may  
7 include any other information regarding the program as the board may  
8 determine.

9 § 9. This act shall take effect immediately.