

117TH CONGRESS
1ST SESSION

S. 2601

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

IN THE SENATE OF THE UNITED STATES

AUGUST 4, 2021

Mr. BOOKER (for himself 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 2021”.

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;

(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-

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;

(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.

12 SEC. 4. SHORT-TERM SAVINGS ACCOUNT WITHIN A RETIRE-
13 MENT 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.

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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