

## SB135 INTRODUCED



1 SB135  
2 QN86Y51-1  
3 By Senators Stewart, Beasley  
4 RFD: Finance and Taxation Education  
5 First Read: 13-Jan-26

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4 SYNOPSIS:

5           Currently, there are Alabamians employed in the  
6 private sector that are not offered or provided a  
7 retirement plan through their employer. This bill would  
8 create a state facilitated retirement savings program  
9 to allow certain employed Alabamians to make  
10 contributions into a retirement plan.

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13                           A BILL  
14                           TO BE ENTITLED  
15                           AN ACT  
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17           Relating to private sector employers and employees; to  
18 create the Alabama Retirement Savings Program for the purpose  
19 of promoting greater retirement savings for private sector  
20 employees in a convenient, low-cost, and portable manner.

21 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

22           Section 1. The Legislature finds that there is a  
23 retirement savings access gap; Americans reach the median  
24 salary four years later than they did in 1980 and therefore  
25 have four fewer years of savings opportunities; and that one  
26 in six Americans retire in poverty. Employees are unable to  
27 effectively build their retirement savings risk living on low  
28 incomes in their elderly years and are more likely to become



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dependent on state services. The Legislature further finds that a state facilitated retirement savings program would remove barriers to entry into the retirement market for businesses by educating eligible employers on plan availability and promoting, without mandated participation, qualified, low-cost, and low-burden retirement savings vehicles and without posing any significant financial burden upon taxpayers. To this end, the legislation, upon implementation, will help close the retirement savings access gap, protect the fiscal stability of the state and its residents well into the future, and will educate and promote retirement savings among employees.

Section 2. For purposes of this act the following terms having the following meanings:

(1) ALABAMA RETIREMENT SAVINGS PROGRAM or PROGRAM. The retirement savings program created to connect eligible employers and their employees with approved plans to increase retirement savings.

(2) APPROVED PLANS. Retirement plans offered by the Alabama Retirement Savings Program that meet the requirements of this chapter.

(3) DEPARTMENT. The Alabama Department of Workforce.

(4) ELIGIBLE EMPLOYER. A self-employed individual, sole proprietor, or an independently owned , for-profit enterprise with 500 or fewer employees at the time of enrollment.

(5) ENROLLEE. Any employee who is voluntarily enrolled in an approved plan offered by an eligible employer.

(6) FUND. The Alabama Retirement Savings Program Fund.



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(7) INDIVIDUAL RETIRMENT ARRANGEMENT. A retirement savings account which allows employees to save for their retirement by contributing pre-tax or after-tax dollars.

(8) PARTICIPATING EMPLOYER. Any eligible employer that provides a payroll deposit retirement savings arrangement provided under this act for its employees who are enrolled in an approved plan offered through the Alabama Facilitated Retirement Savings Program.

(9) QUALIFIED EMPLOYEE. Employees defined by the federal Internal Revenue Service to be eligible to participate in a specific qualified plan.

(10) SECRETARY. The Secretary of the Alabama Department of Workforce.

(11) WAGES. Any compensation within the meaning of Title 26 U.S.C. Section 219(b)(1)(A) that is received by an enrollee from a participating employer or employee leasing company or professional employer organization with which the enrollee's employer has an employee leasing agreement.

Section 3. (a) A retirement savings program in the form of an automatic enrollment payroll deduction IRA, known as the Alabama Retirement Savings Program, shall be established and administered by the Secretary of the Alabama Department of Workforce, for the purpose of promoting greater retirement savings for private sector employees in a convenient, low-cost, and portable manner.

(1) The Secretary of Workforce shall have the authority to enter into contracts with other entities, including private financial institutions, to design, manage, invest, or



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otherwise administer the program on behalf of the department. Contracts for professional services entered into by the secretary shall be entered into by competitive sealed proposals pursuant to Division 3, commencing with Section 41-4-130 of Article 5 of Chapter 4 of Title 41, Code of Alabama 1975.

(2) The Alabama Retirement Savings Program Fund is established as a special fund, separate and apart from all public monies or funds of this state. The fund shall include the individual retirement accounts of enrollees, which shall be accounted for as individual accounts. Monies in the fund shall consist of monies received from enrollees directly and through participating employers pursuant to automatic payroll deductions and contributions to savings made pursuant to this act. The fund shall be operated in a manner determined by the secretary exclusively for the purpose of this act without liability on the part of the state beyond the amounts paid into and earned by the fund, provided that the fund is operated so that the accounts of enrollees established under the program meet the requirements for IRAs under the Internal Revenue Code.

(b) The amounts deposited in the fund shall not constitute property of the state, and the fund shall not be construed to be a department, institution, or agency of the state. Amounts on deposit in the fund shall not be commingled with state funds and the state shall have no claim to or against, or interest in, such funds.

Section 4. The Alabama Retirement Savings



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Administrative Fund is created in the State Treasury. The fund shall be administered by the secretary and used exclusively for the purpose of this act. The department shall use monies in this administrative fund to pay for the administrative expenses it incurs in the performance of its duties under this act. The department shall use monies in this administrative fund to cover startup administrative expenses it incurs in the performance of its duties under this act. This administrative fund may receive grants or other monies designated for administrative purposes from the state or any unit of federal or local government or any other person, firm, partnership, or corporation. Any interest earnings that are attributable to monies in the fund shall be credited to the fund. All funds deposited or transferred into the fund shall be budgeted and allocated in accordance with Sections 41-4-80 through 41-4-96, Code of Alabama 1975, and Sections 41-19-1 through 41-19-12, Code of Alabama 1975.

Section 5. (a) The department, secretary, and any other agents or employees appointed or engaged by the Alabama Department of Workforce and all persons serving as a program staff shall discharge their duties with respect to the program solely in the interest of the program's enrollees and beneficiaries as follows:

(1) By investing with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an enterprise of a similar character and with similar aims.



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(2) By using any contributions paid by employees directly and through participating employers pursuant to automatic payroll deductions and contributions into the fund exclusively for the purpose of paying benefits to the enrollees of the program, for the cost of administration of the program, and for investments made for the benefit of the program.

(b) The secretary shall ensure that the establishment design and operation of the program is in a manner that meets all of the following:

(1) Is in accordance with best practices for retirement savings vehicles.

(2) Maximizes participation, savings, and sound investment practices.

(3) Maximizes simplicity, including ease of administration for participating employers and enrollees.

(4) Provides an efficient product to enrollees by pooling investment funds.

(5) Ensures the portability of benefits.

(6) Provides for the deaccumulation of enrollee assets in a manner that maximizes financial security in retirement.

Section 6. (a) In addition to the other duties and responsibilities, the department may:

(1) Explore and establish investment options, subject to Section 8, that offer employees returns on contributions and the conversion of individual retirement savings account balances to secure retirement income without incurring debt or liabilities to the state;



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(2) Establish the process by which interest, investment earnings, and investment losses are allocated to individual program accounts on a pro rata basis and are computed at the interest rate on the balance of an individual's account;

(3) Make and enter into contracts necessary for the administration of the program and the fund, including, but not limited to, retaining and contracting with investment managers, private financial institutions, other financial and service providers, consultants, actuaries, counsel, auditors, third-party administrators, and other professionals as necessary. Contracts for professional services entered into by the department shall be entered into by competitive sealed proposals pursuant to Division 3, commencing with Section 41-4-13 of Article 5 of Chapter 4 of Title 41, Code of Alabama 1975.

(4) Conduct a review of the performance of any investment vendors not less than once every two years, including, but not limited to, a review of returns, fees, and customer service and post a copy on an Internet website established and maintained by the department;

(5) Determine the number of staff members and duties needed to administer the program;

(6) Ensure that monies in the Alabama Retirement Savings Program Fund are held and invested as pooled investments described in Section 8, with a view of achieving cost savings through efficiencies and economies of scale;

(7) Evaluate and establish the process by which an enrollee is able to contribute a portion of the enrollees



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wages, a minimum of three percent, to the program for automatic deposit of those contributions and the process by which the participating employer provides a payroll deposit retirement savings arrangement to forward those contributions and related information to the program, including, but not limited to, contracting with financial service companies and third-party administrators with the capability to receive and process employee information and contributions for payroll deposit retirement savings arrangements or similar arrangements;

(8) Design and establish the process for enrollment by an employee pursuant to Section 9, including the process by which an employee can opt not to participate in the program, select a contribution level, increase the contribution level, select an investment option, such as a traditional IRA or ROTH IRA, and terminate participation in the program;

(9) Evaluate and establish the process by which an individual may voluntarily enroll in and make contributions to the program;

(10) Accept any grants, appropriations, or other monies from the state, any unit of federal, state, or local government or any other person, firm, partnership, or corporation solely for deposit into the fund, whether for investments or administrative purposes;

(11) Evaluate the need for, and procure as needed, insurance against any and all loss in connection with property, assets, or activities of the program;

(12) Make provisions for the payment of administrative



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costs and expenses for the creation, management, and operation of the program and keep annual administrative fees as low as possible, but in no other event shall annual administrative fees exceed 0.6 percent of the fund's total balance, except that, during the first three years after the establishment of the program annual administrative fees may be set at no more than 0.75 percent of the fund's total balance. Administrative fees shall include any investment fees incurred pursuant to this section. Subject to appropriation, the state may pay administrative costs associated with the creation and management of the program until sufficient assets are available in the fund for that purpose. Thereafter, all administrative costs of the program, including repayment of any funds provided by the state, shall be paid only out of monies in deposit therein, except that, private funds or federal funding received under subdivision (10) in order to implement the program shall not be repaid unless those funds were offered contingent upon the promise of repayment;

(13) Allocate administrative fees to individual retirement accounts in the program on a pro rata basis;

(14) Set a minimum employee contribution amount of three percent;

(15) Facilitate education and outreach to employers and employees, including the promotion of the benefits of retirement savings and other information that promote financial literacy necessary for sound financial decision-making;

(16) Facilitate compliance by the program with all



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applicable requirements for the program under the Internal Revenue Code, including tax qualification requirements or any other applicable law and accounting requirements;

(17) Carry out the duties and obligations of the program in an effective, efficient, and low-cost manner; and

(18) Exercise any and all other powers reasonably necessary for the effectuation of the purposes, objectives, and provisions of this act pertaining to the program.

Section 7. (a) The program administration shall annually prepare and adopt a written statement of investment policy that includes a risk management and oversight program. The risk management and oversight program shall be designed to ensure that an effective risk management system is in place to monitor the risk levels of the program and to ensure that the risks taken are prudent and properly managed, to provide an integrated process for overall risk management, and to assess investment returns as well as risk to determine if the risks taken are adequately compensated compared to applicable performance benchmarks and standards. The program administration shall submit the statement of investment policy and any changes in the investment policy to the secretary.

(b) An audited financial report, prepared in accordance with generally accepted accounting principles, on the operations of the program for each calendar year, shall be submitted to the secretary no later than July 1 of the following year. The annual audit shall be made by an independent certified public accountant and shall include, but is not limited to, direct and indirect costs attributable to



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the use of outside consultants, independent contractors, and any other persons who are not state employees for the administration of the program.

(c) A report prepared by the Alabama Department of Workforce shall include, but not be limited to, a summary of the benefits provided by the program, the number of enrollees in the program, the percentage and number of investment options, rates of return, fees paid to any vendors or contractors for purposes of implementing or operating the program, and other information that is relevant to make a full, fair, and effective disclosure of the operation of the program and the funds.

(d) The department shall make available to the public on its Internet website all reports provided to the department. In addition to any other statements or reports required by law, the department shall provide periodic reports at least annually to: (i) participating employers, the names of each enrollee employed by the participating employer, and the contribution amounts made through the participating employer on behalf of each enrolled employee from automatic payroll deductions and contributions during the reporting period; and (ii) participating enrollees, the balances in their program accounts for the reporting period, including the allocation of contributions and investment income to, and any withdrawals made from their program accounts. The reports may include any other information regarding the program as the secretary determines appropriate.

Section 8. (a) The secretary shall ensure that monies



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in the fund be invested or reinvested, as the case may be, in compliance with any and all applicable federal and state laws, rules, and regulations, as well as any and all rules or regulations adopted by the department with respect to the program and the investment of the fund, including, but not limited to, the investment policy.

(b) The secretary may require the establishment of any or all of the following investment options:

(1) A capital preservation fund, which prioritizes the security of the deposit over the rate of return. If the capital preservation fund is established, the department may provide that the first one thousand dollars (\$1,000) in contributions made by, or on behalf of, an enrollee shall be deposited into the capital preservation fund and the department may provide for an account revocation period during which, if the enrollee chooses to end participation in the program, the enrollee may withdraw the deposited amounts from the capital preservation fund without penalty.

(2) A life-cycle fund.

(3) Any other investment option deemed appropriate by the secretary.

(c) The secretary may designate by rule or regulation one of the investment options as the default investment option for enrollees who fail to elect an investment option and may, from time to time, amend, modify, or repeal such investment options as it deems necessary or proper and may subsequently select, by rule or regulation, a different investment option as the default investment option.



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Section 9. (a) The program shall be implemented, and the enrollment of employees shall begin, within 24 months after the effective date of this act. The Secretary of Workforce may extend the time period within which the program is implemented and enrollment of employees begins, but not by more than 12 months. The program shall be implemented in two phases based on the number of the employers participating, as measured by the number of employees per employer, with the program implemented sooner for larger employers. The following provisions of this section shall be in force after the program opens for enrollment.

(b) Each employer shall establish a payroll deposit retirement savings arrangement to allow each employee to participate in the program not more than nine months after the program opens for enrollment.

(c) Employers shall automatically enroll in the program each employee who has not opted out of participation in the program and shall provide payroll deposit retirement savings arrangements for participating employees and, on behalf of the employees, remit payroll deduction contributions to the program. Eligible employers shall provide payroll deposit retirement savings arrangements for each employee who elects to participate in the program.

(d) Enrollees shall have the ability to select a contribution level into the fund. This level may be expressed as a percentage of wages or as a dollar amount up to the deductible amount for the enrollee's taxable year under Title 26 U.S.C. Section 219(b)(1)(A). Enrollees may change their



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contribution level no more than once every calendar quarter, subject to rules and regulations adopted by the secretary, as long as the contributions do not cause the enrollee's total contributions to IRAs for the year to exceed the deductible amount for the enrollee's taxable year under Title 26 U.S.C. Section 219(b)(1)(A).

(e) Following initial implementation of the program pursuant to this section, at least once every year, participating employers shall designate an open enrollment period during which employees who previously opted out of the program may enroll in the program.

(f)(1) For any employee hired by an employer more than six months after the program opens for enrollment, the employer shall enroll the employee in the program no later than three months following the date of hire of the employee, unless the employee opts out of enrollment in the program.

(2) Any newly hired employee who has previously been enrolled in the program shall have the option of making direct contributions into that employee's existing account, provided that subdivision (1) also applies to the employer of a newly hired employee who has been previously enrolled in the program.

(g) An employee who opts out of the program who subsequently wants to participate through the participating employer's payroll deposit retirement savings arrangement may only enroll during the participating employer's designated open enrollment period or if permitted by the participating employer at an earlier time.



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393 (h) An employee may terminate his or her participation  
394 in the program at any time in a manner prescribed by the  
395 secretary.

396 (i) The department may establish and maintain an  
397 Internet website designed to assist employers in identifying  
398 private sector providers of retirement arrangements that can  
399 be set up by the employer rather than allowing employee  
400 participation in the program under this act. The department  
401 shall provide public notice of the availability of and the  
402 process for inclusion on the Internet website before it  
403 becomes publicly available.

404 (j) Each employer is responsible for the tasks  
405 described in subsections (b) and (c), but the employer is  
406 permitted to contract with a third party, such as a payroll  
407 service provider or a professional employer organization, to  
408 perform those tasks on behalf of the employer.

409 Section 10. (a) Participating employers shall not have  
410 any liability for an employee's decision to participate in or  
411 opt out of the program or for the investment decisions of the  
412 department or of any enrollee.

413 (b) The program is not an employer-sponsored plan and  
414 is not operated or administered by the employer. A  
415 participating employer shall not be a fiduciary, or considered  
416 to be a fiduciary, over the program and shall not be liable  
417 with regard to investment returns, program design, and  
418 benefits paid to the program participants. A participating  
419 employer shall not bear responsibility for the administration,  
420 investment, or investment performance of the program or for



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any required or permitted communications between participating employees and program administrators.

Section 11. (a) If any clause, sentence, paragraph, section, or other part of this act shall be adjudged by any court of competent jurisdiction to be invalid, including any judgment made that the part is unconstitutional, invalid, or inoperative, the judgment shall not affect, impair, or invalidate the remainder of this act but shall be confined in its operation to the clause, sentence, paragraph, section, or other part directly involved in the controversy in which the judgment shall have been rendered.

(b) Notwithstanding the provisions of any other law to the contrary, the value of assets in an individual's account under the program shall not be regarded as assets for the purpose of determining eligibility for benefits or the amount of benefits to be provided pursuant to any state or federal law, except that, if the federal law expressly requires that the assets in the accounts be regarded as assets for those purposes, the assets may be taken into consideration when determining eligibility benefits or the amount of benefits. If the federal law provides discretion to the state in setting standards regarding the amount of assets which may be disregarded in determining benefits, or other factors regarding the assets which impact the eligibility for, or amount of, benefits, the state, with respect to assets in the accounts under the program, shall set standards which are favorable as the federal law permits for the individuals with the accounts.



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449                   Section 12. This act shall become effective on June 1,  
450    2026.