

**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

16

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



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

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

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

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

50                   (3) DEPARTMENT. The Alabama Department of Workforce.

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

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

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



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

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

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

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

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

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



85 otherwise administer the program on behalf of the department.  
86 Contracts for professional services entered into by the  
87 secretary shall be entered into by competitive sealed  
88 proposals pursuant to Division 3, commencing with Section  
89 41-4-130 of Article 5 of Chapter 4 of Title 41, Code of  
90 Alabama 1975.

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

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

112 Section 4. The Alabama Retirement Savings

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

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

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



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

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

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

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

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

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

159 (5) Ensures the portability of benefits.

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

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



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

173 (3) Make and enter into contracts necessary for the  
174 administration of the program and the fund, including, but not  
175 limited to, retaining and contracting with investment  
176 managers, private financial institutions, other financial and  
177 service providers, consultants, actuaries, counsel, auditors,  
178 third-party administrators, and other professionals as  
179 necessary. Contracts for professional services entered into by  
180 the department shall be entered into by competitive sealed  
181 proposals pursuant to Division 3, commencing with Section  
182 41-4-13 of Article 5 of Chapter 4 of Title 41, Code of Alabama  
183 1975.

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

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

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

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

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

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

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

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

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

224 (12) Make provisions for the payment of administrative



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

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

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

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

252 (16) Facilitate compliance by the program with all



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

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

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

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

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

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

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

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

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



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

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

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

327 (2) A life-cycle fund.

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

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



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

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

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

360                   (d) Enrollees shall have the ability to select a  
361                   contribution level into the fund. This level may be expressed  
362                   as a percentage of wages or as a dollar amount up to the  
363                   deductible amount for the enrollee's taxable year under Title  
364                   26 U.S.C. Section 219(b)(1)(A). Enrollees may change their



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

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

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

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

387 (g) An employee who opts out of the program who  
388 subsequently wants to participate through the participating  
389 employer's payroll deposit retirement savings arrangement may  
390 only enroll during the participating employer's designated  
391 open enrollment period or if permitted by the participating  
392 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



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

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

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

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