



8178 Lark Brown Road, Suite#201
Elkridge, MD 21075
PHONE (443) 283-3482
FAX (443) 283-3914

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Delegate Ben Barnes
Chair Appropriations

Catherine Forbes, Chair
Oversight Committee on Pensions
House Office Building
Room 120
Annapolis, Maryland 21401

RE: Oppose House Bill 0296 - Maryland Teachers and State Employees Supplemental Retirement Plans - Automatic Enrollment

Dear House Oversight Committee on Pensions Members:

Our team at Paladin Advisor Group, located in Howard County, has been serving MD State Education Professionals as 403b/457b supplemental plan participants for over a combined 45 years. We are currently an approved carrier/vendor in six counties and working with over 3,500 current and retired participants. Our mission is to help those who make it their mission to help others. Please allow me to share a few perspectives that surround this issue of whether to force auto-enroll for someone who knows nothing about it, other benefits, and the future of their financial life as they begin their career as a new hire in the State of Maryland.

Retirement planning is the last thing on a new hire's mind. In our experience, employees need to be repeatedly educated about their benefits. They have a pension, social security, and supplemental savings benefits; we refer to them as the three-legged stool. Most times, before any conversation can occur about the options of the Supplemental Benefit Programs, we need to start with a thorough explanation about the differences between the pension and the supplemental benefit savings - many are confused thinking that both are one in the same. Only when they understand the place for each in their financial world, can we begin to build the "why" of saving alongside the pension and social security.

Retirement is the only thing in life that must be paid for ahead of the event...most everything else can be paid for over time using credit. Now the MD State Pension is a great foundation and along with Social Security benefits may or may not be all they will need for what may be 30 years of unemployment - which is called retirement. We help develop financial skills in topics such as managing cash flow, debt and other financial matters that inevitably come up in life. These are topics about which we also teach and coach clients and participants along the way to retirement.

The next step is to convince employees that saving on their own, over their entire career, using the supplemental plan is in their best interest. Even if they agree and start their savings journey, they need constant reminders to stay the course throughout every life changing event that occurs. Life is very demanding and is constantly competing against the goals and plans of employees who are setting aside a portion of their own income now for the income they need for retirement. This continued encouragement and relationship with a qualified financial advisor is vital to the ultimate success of the participants.

We believe that the uphill battle for winning the hearts and minds of employees is hard enough without adding the fact that - even if they were auto-enrolled at one point - they decided to opt out. Trying to have a conversation with them again - even later in their career will be that much more difficult than it already is. Auto-enroll opt-out employees will not be served in the way that this auto-enrolment would be intended. It may not reach its intended audience.

While education-driven encouragement to participate seems to be the hardest route to increase the savings habits of school employees, it really is not. The Supplemental Benefit Programs in MD are robust, offering choice and providing the employee with access to qualified financial advice. It's already built in; Advisors are ready and willing to carry the water in providing this education. We already attend New Teacher Orientations/Academies, Health Fairs and Benefits Fairs along with other educational events on various topics throughout the school year. We offer in-person as well as web-based learning. The NTSA has a Certified Retirement Education Specialist designation program that promotes integrity and quality in the delivery of product neutral classes that also cover these topics. We use them in our practice and it's very successful. Other states are also finding success in this program. I'd be happy to share this and other information with the committee.

We suggest that the State consider a pilot project to explore the effects of a mandatory class or series of classes that are designed to help participants navigate the waters of understanding their benefits and supplemental savings options. We suggest that the State consider allowing/encouraging time during the day so the staff can appropriately explore their options. We have seen some counties in MD offer incentives and other inducements to promote using the supplemental savings as part of a healthy employment life. And if the employee can't afford it, explore all the ways they can grow to someday afford it.

Successful savings outcomes will not just happen without a plan. These programs will not turn out right for the employee just because the state has an auto-enroll process with an opt out feature. We need to trust our State Employees to make an informed decision which will only occur after they have been taught such things.

We have made our career in this market. We understand the needs and the obstacles that this population faces on a daily and annual basis. Time and attention will better serve them to reach a satisfying and confident retirement for themselves and their families.

Thank you for taking time to consider our input to this process. We support our Teachers and we support you all to direct us in the course that will have the best opportunity to be a success for them.