

SenMcCray_SB6.pdf

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Position: FAV

CORY V. McCRAY
Legislative District 45
Baltimore City

DEPUTY MAJORITY WHIP

Budget and Taxation Committee

Subcommittees

Vice Chair, Capital Budget

Pensions

Chair, Public Safety, Transportation,
and Environment



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Vote Yes on Senate Bill 6

Bill Title: Maryland Teachers and State Employees Supplemental Retirement Plans – Automatic Enrollment

Hearing Date: January 19, 2023

Dear Chair, Vice Chair and members of the committee, I speak with you today in **support** of Senate Bill 6. Our teachers and State employees are the backbone of our State's operations and continued progression. In response to their tireless service, we must take proactive steps to ensure that upon retirement age, they have the opportunity to retire with dignity and take advantage of all tax shelters to their avail.

The purpose of this bill is to automatically enroll all eligible State employees in a supplemental retirement plan. Employees may opt out of automatic enrollment within 90 days of beginning employment with the State. Both community and familial conversations around retirement are unbalanced. Individuals from a lower socioeconomic status are less likely to have access to financial education. The effect of approving this bill will provide monetary consciousness and financial security for civilians upon retirement.

Our current law creates a gap between our teachers and state employees' pre-retirement income and their foreseeable post-retirement income. Supplemental plans have the advantage of sealing that gap allowing those individuals to receive the optimal financial resources they deserve following their service.

It is critical that those with limited incomes are able to capture concessions that are usually only taken advantage of by wealthier populations. Our neighbors in Virginia and West Virginia currently offer automatic enrollments for all public sector plans. This bill

will allow Maryland to act as a leader in supporting our workers and providing them an automatic boost toward financial security following their commitment to our State.

In a sincere effort to support our teachers and State employees effectively and efficiently, it is my hope that you will **support** Senate Bill 6.

Respectfully,

A handwritten signature in blue ink, appearing to read "Cory V. McCray". The signature is fluid and cursive, with a large initial "C" and a long horizontal stroke.

Cory V. McCray
State Senator

SB0006- MSRP Testimony (Written) 1-19-2023.pdf

Uploaded by: Ronda Bell

Position: FAV



MSRP

*Maryland
Teachers & State Employees
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

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• • •

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Visit the MSRP Board website at
<http://MSRP.maryland.gov>

*Call About the Plans
or to Enroll
1-800-545-4730
or Enroll on-line at
www.MarylandDC.com*

Date: January 19, 2023

To: Hon. Michael A. Jackson, Chair
Senate Pensions Subcommittee

From: Hon. T. Eloise Foster, Board Chair *J. Eloise Foster*
Ronda Butler Bell, Executive Director & Board Secretary *Ronda B. Bell*
Maryland Teachers & State Employees Supplemental Retirement Plans

**Re: Position of Support – SB0006
Maryland Teachers and State Employees Supplemental Retirement Plans –
Automatic Enrollment**

Mr. Chair and members of the Committee, on behalf of the Maryland Supplemental Retirement Plans Board of Trustees (the “Board”), we submit this position of strong support for Senate Bill 6.

Pursuant to State Personnel and Pensions Article §§ 35-401, 501, and 601, the Maryland Teachers & State Employees Supplemental Retirement Plans (“MSRP”) administer the voluntary defined contribution retirement savings plans that provide all eligible State employees (both permanent and contractual) with the option to enroll in: 1) the 403(b) tax sheltered annuity plan; 2) the 401(k) salary reduction savings plan; or 3) the 457 deferred compensation plan (the “Plans”). The MSRP Board has 9 Board seats. The Board Chair and Trustees are appointed by the Governor. Among the 8 Trustees currently in office, 4 are current State employee Plan participants.

The Plans were designed to provide State employees with a retirement savings benefit to enhance their State pension income. Trends in retirement planning research show that social security benefits combined with a pension do not generate sufficient income to support the average State employee after he/she retires. State law does not currently authorize automatic enrollment in the Plans, so employees must elect to enroll. However, many employees are unaware of the benefit (despite the ongoing outreach efforts of MSRP’s education staff) or have not participated in educational sessions on the importance of retirement planning.

The Board is the fiduciary for the Plans and is legally obligated to act solely in the interest of State employee Plan participants. Authorizing automatic enrollment will allow the Board to support all new State employee participants as they plan for retirement. This bill would provide thousands of new State employees this important benefit so that they will be able to supplement their retirement income to cover the gap that will exist between pre-retirement income and post-retirement income.

This bill would authorize MSRP to enroll new State employees in a supplemental retirement plan as they begin State service on or after January 1, 2024 and would not affect current State employees. The earlier employees participate in the Plans, the more they will be able to save toward supplementing their retirement income.

The Board extends its sincere gratitude to Senator Cory V. McCray for graciously sponsoring this legislation and requests that the Committee submit a favorable report.

SB0006- NAGDCA Auto Enroll Letter of Support.pdf

Uploaded by: Ronda Bell

Position: FAV



201 East Main Street, Suite 810, Lexington, KY 40507
(859) 514-9161 • Fax: (859) 514-9188 • www.nagdca.org

January 18, 2023

Senator Michael A. Jackson, Chair
Pensions Subcommittee
3 West Miller Senate Office Building
11 Bladen Street
Annapolis, MD 21401

Dear Senator Jackson:

The National Association of Government Defined Contribution Administrators (NAGDCA), the premier professional organization of public employer-sponsored deferred compensation and defined contribution (DC) plan administrators, enthusiastically endorses Senator McCray's efforts to introduce automatic enrollment to the Maryland Teachers and State Employees Supplemental Retirement Plans.

Automatic enrollment is a preferred practice in public retirement plans because of its demonstrated efficacy in increasing employees' personal retirement savings. Results have shown that the adoption of automatic enrollment substantially increases participation in all DC plans, and even more impressive is the "stick rate" of participants who continue to contribute and escalate their contributions throughout their careers. In one study, 94% of public sector employees who were auto enrolled into a supplemental public sector retirement plan continued to make voluntary contributions after the automatic enrollment "opt-out" window closed. Additionally, according to our internal data of over 3 million public employees, those in auto-enrolled plans contribute an average of 13% more than employees in non-auto enrolled plans.

A public employee's defined benefit pension and Social Security may not always provide adequate income in retirement, especially for those serving less than a full career in the public sector. With the implementation of automatic enrollment, plan sponsors can improve the overall participation in DC retirement plans, and the financial wellness of the employees in their plan. We laud your efforts to make this important decision for the good of public employees in the state of Maryland and strongly support Senate Bill 6.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew Petersen". The signature is fluid and cursive, with a long horizontal stroke at the end.

Matthew Petersen
Executive Director
NAGDCA

SB6_AFSCME3_FWA.pdf

Uploaded by: Denise Gilmore

Position: FWA



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Patrick Moran - President

SB 6 - Maryland Teachers and State Employees Supplemental Retirement Plans - Automatic Enrollment

POSITION: FAVORABLE WITH AMENDMENTS

AFSCME Council 3 supports the intent of SB 6. After providing dedicated service to the State of Maryland, our members should be able to retire with dignity. We support all efforts to make our members as ready for retirement as possible. SB 6 attempts to do this by automatically enrolling all eligible state employees hired on or after January 1, 2024, into the Maryland Teachers and State Employees Supplemental Retirement Plan (MSRP). Employees will then have a 90-day window to opt-out of the plan.

Our concern with the approach this bill takes is as follows:

- The amount set to be automatically deducted has yet to be determined and appears to be the same regardless of the income of the state employee. While the employee can increase, decrease, or cease contributions to the supplemental plan, the awareness to do so is contingent on this information being properly communicated to the new employee and there aren't any provisions in the bill to ensure this will happen adequately. We are concerned that our lowest paid members particularly will be forced into a deduction they cannot afford because information to lower the deduction or opt-out of it, was not properly communicated to them in the timeframe they must make this decision.
- The automatic deduction amount, as well as the fee the MSRP charges to operate is assessed by a board that has no employee representation. This contrasts with the State Retirement and Pension System which allows state employees and teachers a seat on the pension board.

To address these concerns, we believe SB 6 should be amended to instead support a retirement readiness study which brings in relevant stakeholders from the employee's exclusive representatives, the MSRP, and State Retirement Agency so we can make sure we're putting forward the best possible policy that does not adversely and disproportionately impact our lowest paid state employees. We also believe that the employees should have a seat on MSRP board to ensure that the money they invest has proper oversight. For these reasons, we urge the committee to support these amendments on SB 6. Thank you.

Every AFSCME Maryland State and University contract guarantees a right to union representation.
An employee has the right to a union representative if requested by the employee.
800.492.1996

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SB6 - Maryland Teachers and State Employees Supple

Uploaded by: Donna Edwards

Position: UNF



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Donna S. Edwards

Secretary-Treasurer

Gerald W. Jackson

SB6 - Maryland Teachers and State Employees Supplemental Retirement Plans - Automatic Enrollment

Senate Budget and Taxation Committee

January 19, 2023

OPPOSE

Donna S. Edwards

President

Maryland State and DC AFL-CIO

Chairman and members of the Committee, thank you for the opportunity to submit testimony in opposition to SB6 - Maryland Teachers and State Employees Supplemental Retirement Plans - Automatic Enrollment. My name is Donna S. Edwards, and I am the President of the Maryland State and District of Columbia AFL-CIO. On behalf of Maryland's 340,000 union members, I offer the following comments.

SB6 proposes to automatically enroll all state employees hired after January 1st, 2024 into the Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP). Perhaps this is an attempt to promote retirement security, but we cannot support SB6.

Over the last half-century, workers have faced countless attacks on their ability to retire comfortably. The transition from employer sponsored defined benefit pension plans to primarily employee funded 401(k) plans has left millions of workers without enough financial security to ever consider retirement. The MSRP is a supplemental plan, meant to augment the retirements of some state employees, and should remain optional for employees.

Unfortunately, labor unions have seen a familiar playbook emerge regarding cuts to retirement benefits. The first step of this process is often offering supplemental or optional 401(k) plans, followed by making enrollment mandatory, eventually offering workers a choice of opting out of traditional defined benefit plans, ultimately resulting in the outright elimination of retirement plans that actually guarantee retirement security.

Therefore, we ask for an unfavorable report on SB 6.

Maryland Testimony - ARA.pdf

Uploaded by: Nathan Glassey

Position: UNF

January 19, 2023

The Honorable Guy Guzzone
Chair Budget and Taxation Committee
3 West Miller Senate Office Building
11 Bladen Street
Annapolis, Maryland 21401

RE: Oppose Senate Bill 6 – Maryland Teachers and State Employees Supplemental Retirement Plans – Automatic Enrollment

Dear Chair Guzzone:

The National Tax-Deferred Savings Association (NTSA), part of the American Retirement Association (ARA) writes to you to oppose Senate Bill 6, an Act concerning the Maryland Teachers and State Employees Supplemental Retirement Plans – Automatic Enrollment. The bill requires an eligible employer to automatically enroll all Maryland teachers and certain other state employees hired on or after January 1, 2024, into the Maryland Teachers and State Employees Supplemental Retirement Plan (MSRP).

The ARA is a national organization of more than 30,000 members, including 822 members in the State of Maryland. The ARA is the coordinating entity for its five underlying affiliate organizations representing the full spectrum of America's private retirement system – the American Society of Enrolled Actuaries (ASEA), the American Society of Pension Professionals and Actuaries (ASPPA), the National Association of Plan Advisors (NAPA), the National Tax-Deferred Savings Association (NTSA), and the Plan Sponsor Council of America (PSCA). The ARA's members include organizations of all sizes and industries across the nation who sponsor and/or support retirement saving plans and are dedicated to expanding on the success of employer-sponsored plans. The ARA and its underlying affiliate organizations are diverse but united in their common dedication to the success of America's private retirement system. ARA's mission is to help American workers bolster their retirement security by facilitating well-designed workplace retirement savings plans. We do that by both educating and informing retirement benefits professionals, and by advocating for policies that give every working American the opportunity to achieve a comfortable retirement.

The National Tax-Deferred Savings Association (NTSA) is the nation's only independent, non-profit association dedicated to the 403(b) and 457(b) marketplace. The NTSA was formed in 1989 and has grown to include practitioners, agencies, corporate and employer members. NTSA's mission is to provide high-quality professional education, technical support, and networking forums for all professionals in the 403(b) and 457(b) marketplace.

NTSA opposes this new automatic enrollment mandate into the MSRP for various reasons. First, automatic enrollment may only be appropriate where employees are not already making a substantial contribution towards retirement. Maryland public employees who work a minimum of 500 hours annually are currently mandated to contribute 7% of their pay to the Maryland State Retirement and Pensions System (MSRPS). While automatic enrollment has proven to increase participation when other plans are not offered, it is not always appropriate or necessary when employees are already saving for retirement in a defined benefit plan. For some employees already making MSRPS

contributions, automatic enrollment might result in untenable reductions in take-home pay. Consideration should be given by each employee to determine if they should prioritize things like emergency savings, college savings, buying a home, or paying down high interstate credit card debt before saving more for retirement.

Second, automatic enrollment exclusively into the MSRP effectively creates a public monopoly and stifles the discretion available to local government retirement plan sponsors. Currently, these plan sponsors can determine plan type (i.e., either 403(b) or 457(b), Roth or traditional), default savings rates, plan features, investment options, and plan providers that are most appropriate for their employees. NTSA supports policies that improve participation in workplace savings programs, including in appropriate instances plan designs with automatic enrollment and other automated features. All plan types available to public employers including 403(b) and 457(b) plans should have the ability to exercise choice. Limiting automatic enrollment exclusively to the MSRP artificially constricts public employer plan choice and reduces or eliminates market competition. Governmental institutions in the State of Maryland who currently utilize alternative 457(b) or 403(b) plans other than the MSRP would be prohibited from automatically enrolling their employees into a plan of their choice.

Third, automatic enrollment would require a default into either the pretax or Roth option and would effectively eliminate the tax and savings considerations that each participant should consider before enrolling in a retirement plan. Consideration should be given to determine if pre-tax or Roth contributions result in the most tax-efficient retirement outcomes for each individual saving for retirement. This is especially true when an employee is already part of the MSRPS, and the plan being offered is a supplemental plan.

Additionally, many employees enjoy relationships with licensed and credentialed financial advisors as a result of the 457(b) and 403(b) choices currently available through their employers. A new state mandated plan could result in disruption of those relationships. This could hinder the employee's ability to easily access quality financial advice regarding their savings and retirement.

Local divisions of government should have the ability to choose plan types and automatic enrollment options that are most suitable for their employees. Plan sponsor and participant choice is critical in this marketplace.

We appreciate the opportunity to offer the views of our members and would be happy to discuss our comments or concerns at greater length with the Senate Budget and Taxation Committee or its staff.

Sincerely,

Nathan Glassey
Executive Director
National Tax-Deferred Savings Association

Cc: The Honorable James C. Rosapepe
The Honorable Cory V. McCray