

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