MARYLAND STATE TREASURER
Dereck E. Davis

Senate Bill 322: Maryland Teachers and State Employees Supplemental Retirement Plans - Automatic Enrollment

Position: Favorable

House Appropriations Committee

March 27, 2024

Thank you for the opportunity to express my support for Senate Bill 322, which implements automatic enrollment in the Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP) for employees hired on or after January 1, 2025. I write both as State Treasurer and as a member of the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans.

It is well documented that many retirees are ill-prepared for retirement; a fact that I have testified to repeatedly since becoming Treasurer as a member of many State retirement boards. While MSRP continually strives to expand its outreach to State employees, there are still many State employees who do not utilize the Plans. As of the second quarter of 2023, only 38% of all eligible State employees were actively participating in their supplemental retirement savings by deferring/contributing to MSRP Plan accounts. This kind of underutilization is common in states with defined benefit plans, as the focus is often on those plans instead of other plans that are available.

As fiduciaries tasked with administering the Plans in the best interest of its participants, the Board of Trustees authorized MSRP to conduct a survey of existing studies to better understand employee retirement readiness and the automatic enrollment landscape. Unsurprisingly, the survey confirmed that a common impediment to retirement saving is the requirement to self-enroll. According to research compiled by the Center for State & Local Government Excellence, nearly three-quarters (74%) of working adults prefer to be automatically enrolled in a retirement savings plan by their employer.[1] Armed with this knowledge, the Board of Trustees and staff of MSRP hope to take the onus off new employees by implementing automatic enrollment. I believe that this first important step will better prepare Marylanders for retirement.

For the foregoing reasons, I respectfully request that the Committee issue a favorable report on Senate Bill 322. Please contact Laura Atas, Deputy Treasurer for Public Policy (latas@treasurer.state.md.us), with any questions.

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[1] "Automatic Enrollment Study," Maryland Teachers and State Employees Supplemental Retirement Plans, page 2 (August 2023), citing "Using Automatic Enrollment in Local Government Retirement Plans to Increase Savings," Center for State & Local Government Excellence (June 2014).