



**MSRP**

*Maryland  
Teachers & State Employees  
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

BOARD OF TRUSTEES

Hon. T. Eloise Foster  
*Board Chair*

Thomas M. Brandt, Jr.  
Hon. Dereck E. Davis  
Lynne M. Durbin, Esq.  
Jaelyn Hartman  
Thomas P. Hickey  
John D. Lewis  
Johnathan R. West

STAFF

Ronda Butler Bell, MPA  
*Executive Director  
& Board Secretary*

Nakeia Smith  
*Deputy Executive Director &  
Chief Financial Officer*

Tonya M. Toler, CRC®, CPM  
*Director of Member Services*

• • •

*William Donald Schaefer Tower  
Suite 200  
6 Saint Paul Street  
Baltimore, Maryland  
21202-1608*

Telephone: 410-767-8740  
Toll-Free: 1-800-543-5605

TTY: Use 711 in Md.  
Or 1-800-735-2258

Fax: 410-659-0349

Agency Website:  
msrp.maryland.gov

Plan Administrator:  
1-800-545-4730  
marylanddc.com

**Date:** March 27, 2024

**To:** Hon. Ben Barnes, Chair  
House Appropriations Committee

**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: Responses to Opposition – SB0322  
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”) and in support of Senate Bill 322, we submit the following attachments that provide clarifying information for your review and consideration:

1. Memo of 2/8/2024 to Senator Michael Jackson, Chair of Pensions Subcommittee and Bill Sponsor, in response to oral testimony provided by the President of AFSCME Council 3, Patrick Moran, during the 2/8/2024 bill hearing before the Senate Budget and Taxation Committee; and
2. Memo of 3/20/2024 to Senator Michael Jackson, Chair of Pensions Subcommittee and Bill Sponsor, in response to statements and questions raised by Senator Bryan Simonaire during the Third Reading of SB 322 during Senate Floor Proceeding #1 on 3/14/2024

The Board appreciates your attention to this information and requests a favorable report on Senate Bill 322.



**MSRP**

*Maryland  
Teachers & State Employees  
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

BOARD OF TRUSTEES

Hon. T. Eloise Foster  
*Board Chair*

Thomas M. Brandt, Jr.  
Hon. Dereck E. Davis  
Lynne M. Durbin, Esq.  
Jaelyn Hartman  
Thomas P. Hickey  
John D. Lewis  
Johnathan R. West

STAFF

Ronda Butler Bell, MPA  
*Executive Director  
& Board Secretary*

Nakeia Smith  
*Acting Deputy Executive Director &  
Chief Financial Officer*

Tonya M. Toler, CRC®, CPM  
*Director of Member Services*

• • •

*William Donald Schaefer Tower  
Suite 200  
6 Saint Paul Street  
Baltimore, Maryland  
21202-1608*

Telephone: 410-767-8740  
Toll-Free: 1-800-543-5605

TTY: Use 711 in Md.  
Or 1-800-735-2258

Fax: 410-659-0349

Agency Website:  
msrp.maryland.gov

Plan Administrator:  
1-800-545-4730  
marylanddc.com

**Date:** February 8, 2024

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

**From:** Ronda Butler Bell, Executive Director & Board Secretary *Ronda B. Bell*  
Maryland Teachers & State Employees Supplemental Retirement Plans

**Re:** **Follow-up Information – SB0322 Bill Hearing – 2/8/2024 9:00 a.m.  
Maryland Teachers and State Employees Supplemental Retirement Plans –  
Automatic Enrollment**

**cc:** Hon. Guy Guzzone, Chair  
Senate Budget and Taxation Committee

On behalf of the Maryland Supplemental Retirement Plans Board of Trustees (the “Board”), I am providing this information to clarify some of the information in President of AFSCME Council 3, Mr. Patrick Moran’s testimony at this morning’s hearing.

**1. Many members of AFSCME live paycheck to paycheck and will not be able to afford an “undetermined” auto enrollment amount.**

In designating a default deferral/contribution amount, the Board’s objective is to establish a reasonable deferral/contribution amount that is neither burdensome to State employees nor too minimal to yield a meaningful amount of retirement savings. In keeping with national practice, the Board’s preference is to designate a percentage of salary as a payroll deduction rather than a dollar amount, in recognition of the variance in State employee salaries. The State’s current payroll system can only deduct whole dollars and not percentages, so for now, the deductions would have to be in whole dollars. Any proposed deferral/contribution amount would still have to be considered by the Board. The chart below illustrates examples of annual payroll deduction totals at several default amounts. These default deductions would be done on a pre-tax basis, so the amount deducted on employees’ paystubs will be slightly lower.

Examples of Payroll Default Deductions in Whole Dollars	Examples of Annual Raw Totals in Whole Dollars	Examples of Approximate Annual Adjusted Pre-tax Totals Reflected on Paystub <i>(Examples below are based upon average State employee salary of \$68,405 and aggregate of average federal, State, and local tax rates. Higher salaries will have slightly higher totals, and lower salaries will have slightly lower totals).</i>
\$25 per paycheck x 26 checks	\$650	\$511.23
\$30 per paycheck x 26 checks	\$780	\$613.47
\$35 per paycheck x 26 checks	\$910	\$715.72

All employees who are auto-enrolled in MSRP would have a maximum of 90-days from the date of the first automatic payroll deduction to elect to opt-out and be refunded the amount of the contribution as well as any earnings. A refund would become taxable income and any State match amounts may be forfeited. The 90-day timeframe for opting out is the industry standard for automatic enrollment.

Additionally, all participants in MSRP are able to adjust their contribution amounts up or down at any time and may also elect to cease or resume all MSRP payroll deductions as they so choose.

**2. *Many State employees have starting salaries that are a little over \$35K per year, and more deductions would be a burden.***

The lowest State salary (DBM and MDOT) for FY 2024 is \$35,041. The lowest FY 2024 salary for MDOT is \$32,391. The State of Maryland’s current deduction for contributions to the State Retirement and Pension System is 7% of employee salaries. The lowest FY 2024 salaries listed below, along with auto enrollment amounts and pension deduction percentages, are for the four states that adopted automatic enrollment and are profiled in MSRP’s Automatic Enrollment Study.

State	Lowest Salary FY 2024	Auto Enrollment Deduction Amount	Defined Benefit Pension Percent of Salary Deducted
Ohio	\$26,790	\$25/per pay	10%
Kentucky	\$24,878	\$15/per pay	9%
South Dakota	\$26,204	\$25/per pay	6%
Texas	\$21,893	1% of Salary	6%

**3. *MSRP has incredibly high fees with as much as 24% of a participant’s investments going to fees.***

Current MSRP Plan fees are:

- \$6.00 annual flat fee (\$0.50/month for all accounts with balances of \$500 or more)
- 0.12% asset fee
- Fund expenses ranging from 0.02% to 0.83%

This does not include fees for a managed account (*which is an optional third party add-on service, and **would not** apply to automatic enrollment, unless an employee made the affirmative decision to use this service*)

Assuming an employee only invested in the most expensive fund MSRP offers, the highest fee possible is 0.95% + \$6/year. *In the highest case scenario, this means that fees are less than 1% of the employee’s invested balance.* Fees could be as low as 0.14% plus \$6 if the employee only invested in the S&P 500 Index Fund.

**4. *Having Nationwide as the exclusive MSRP provider is a monopoly and does not provide employees with choices.***

MSRP solicits for Plan Administrator services under State procurement law every 5 years through the RFP process. Currently, Nationwide serves as the Plans’ custodian, administrator, and directed trustee with fiduciary obligations. The Board, with advice from the Board’s third-party Investment Advisor (currently, NFP – also procured every 5 years through the RFP process with fiduciary obligations) determines which funds are offered to participants. The Plan Administrator neither determines nor directs investments – it is a *conduit* to the investment marketplace. There is no Nationwide fund in the MSRP investment menu.

**5. *There are no State employees on the MSRP Board of Trustees.***

MSRP is an independent State agency that is governed by a 9-member Board of Trustees. Six of the 9 members must be active or plan-eligible State employees. Currently, 4 of the 8 MSRP Trustees serving are active Maryland State Government employees (including Treasurer Dereck Davis), and one Trustee is a plan eligible member who is a retired State employee with an active MSRP account (who previously served on the Board as an active State employee). Only one-third of the Board positions is designated for members of the public. There is currently one vacancy for a plan-eligible member.

State Personnel and Pensions §35–202 sets forth the following:

(a) (1) The Board consists of nine members appointed by the Governor.

(2) Of the nine members:

(i) three shall be from any of the following units:

1. the Department of Budget and Management;
2. the Department of Education;
3. the Office of the State Comptroller;
4. the Office of the State Treasurer;
5. the State Retirement Agency; or
6. the Maryland Higher Education Commission;

(ii) three shall be individuals who are eligible to participate in one of the supplemental retirement plans, at least one of whom shall be an employee described in § 403(b)(1)(A)(ii) of the Internal Revenue Code; and

(iii) three shall be members of the public who are not eligible to participate in any of the supplemental retirement plans, at least one of whom shall have experience with deferred compensation and salary reduction plans.

We appreciate the opportunity to testify in today's hearing and to provide more clarification. Please let me know if there are any questions. We are happy to provide any additional information you may need. Thank you for your support and sponsorship of Senate Bill 322.



Maryland  
Teachers & State Employees  
Supplemental Retirement Plans

457 • 401(k) • 403(b) • Match

BOARD OF TRUSTEES

Hon. T. Eloise Foster  
Board Chair

Thomas M. Brandt, Jr.  
Hon. Dereck E. Davis  
Lynne M. Durbin, Esq.  
Jaelyn Hartman  
Thomas P. Hickey  
John D. Lewis  
Johnathan R. West

STAFF

Ronda Butler Bell, MPA  
Executive Director  
& Board Secretary

Nakeia Smith  
Deputy Executive Director &  
Chief Financial Officer

Tonya M. Toler, CRC®, CPM  
Director of Member Services

• • •

William Donald Schaefer Tower  
Suite 200  
6 Saint Paul Street  
Baltimore, Maryland  
21202-1608

Telephone: 410-767-8740  
Toll-Free: 1-800-543-5605

TTY: Use 711 in Md.  
Or 1-800-735-2258

Fax: 410-659-0349

Agency Website:  
msrp.maryland.gov

Plan Administrator:  
1-800-545-4730  
marylanddc.com

**Date:** March 20, 2024

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

**From:** Ronda Butler Bell, Executive Director & Board Secretary   
Maryland Teachers & State Employees Supplemental Retirement Plans

**Re:** **Follow-up Information**  
**Third Reading: Senate Floor Proceeding #1 – 3/14/2024**  
**SB0322 Maryland Teachers and State Employees Supplemental Retirement Plans – Automatic Enrollment**

**cc:** Hon. Guy Guzzone, Chair  
Senate Budget and Taxation Committee

---

On behalf of the Maryland Supplemental Retirement Plans Board of Trustees (the “Board”), I am providing this clarifying information in response to statements and questions raised by Senator Bryan Simonaire during the Third Reading of Senate Bill 322, which occurred during Senate Floor Proceeding #1 on March 14, 2024.

**1. I think this is for all State employees. That includes the Legislature and Judiciary; is that correct?**

Yes. As State employees, members of the Legislature and members of the Judiciary are eligible to participate in MSRP (*Note: because of the pensions in which State elected officials and judges participate, they are ineligible to participate in the 401(a) Match Plan. However, other employees of the Legislature and Judiciary are eligible for the Match Plan.*)

**2. In reading from the AFL-CIO submission, it said labor unions have seen a familiar playbook emerging regarding cuts to retirement benefits where supplemental or optional 401(k) plans are offered 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.**

MSRP’s primary goal is to promote and provide retirement readiness for State employees. There is a gap that typically exists between employees’ pre-retirement income and their anticipated post-retirement income, which consists of the combination of Social Security benefits and the pension administered by the Maryland State Retirement Agency (“MSRA”). The MSRP benefit is “supplemental” to the MSRA benefit and was created to bridge this gap to help State employees retire with dignity. MSRP is not structured or intended to serve as a replacement to the State pension, but rather to work in concert with the pension. The recommended income replacement percentage for State retirees is 85% of their pre-retirement income. In order to have a good probability of reaching this goal, the average State employee will need to receive post-retirement income from *all three sources* (MSRA, MSRP, and Social Security). **There are no known plans or discussions relative to the State of Maryland abolishing the pension administered by MSRA. It is an essential State employee benefit.**

3. *The Maryland State Education Association said a lot of people are living paycheck to paycheck, and this would put a burden on them. How much of the employees’ pay will be taken out of their paychecks? The bill says the amount deducted from the wages of an employee each pay period shall be the minimum amount set by the Board unless the employee takes affirmative action to do something. I understand there’s a notice process with 5 paragraphs of what needs to be put into the notice, which probably gets put in the mail and sometimes you read it and sometimes you don’t.*

Automatic enrollment is an industry best practice, and retirement industry research conducted for MSRP’s Automatic Enrollment Study has shown that an overwhelming number of employees would rather have their employer enroll them in a retirement savings plan than have to take care of enrolling on their own.

State of Maryland Employees’ Salaries vs. Other States That Have Implemented Auto Enrollment

The lowest State salary (DBM and MDOT) for FY 2024 is \$35,041. The lowest FY 2024 salary for the University of Maryland System is \$32,391. The State of Maryland’s current deduction for contributions to the pension administered by MSRA is 7% of employee salaries. The lowest FY 2024 salaries for four states that have adopted automatic enrollment (and are profiled in MSRP’s Automatic Enrollment Study) are listed below, along with each state’s actual auto enrollment payroll deduction amount and pension deduction percentage.

State	Lowest Salary FY 2024	Auto Enrollment Deduction Amount	Defined Benefit Pension Percent of Salary Deducted
Ohio	\$26,790	\$25/per pay	10%
Kentucky	\$24,878	\$15/per pay	9%
South Dakota	\$26,204	\$25/per pay	6%
Texas	\$21,893	1% of salary per pay	6%

Default Deferral From Employees’ Paychecks

The per paycheck automatic deduction has not yet been determined by the Board. In designating a default deferral/contribution amount, the Board’s objective is to establish a reasonable deferral/contribution amount that is neither burdensome to State employees nor too minimal to yield a meaningful amount of retirement savings. In keeping with national practice, the Board’s preference is to designate a percentage of salary as a payroll deduction rather than a dollar amount, in recognition of the variance in State employee salaries. The State’s current payroll system can only deduct whole dollars and not percentages, so for now, the deductions would have to be in whole dollars. The chart below illustrates realistic examples of annual payroll deduction totals at several default amounts. These default deductions would be done on a pre-tax basis, so the amount deducted on employees’ paystubs will be slightly lower.

Examples of Default Payroll Deductions in Whole Dollars	Examples of Annual Raw Totals in Whole Dollars	Examples of Approximate Annual Adjusted Pre-tax Totals Reflected on Paystub <i>(Examples below are based upon average State employee salary of \$68,405 and aggregate of average federal, State, and local tax rates. Higher salaries will have slightly higher totals, and lower salaries will have slightly lower totals).</i>
\$25 per paycheck x 26 checks	\$650	\$511.23
\$30 per paycheck x 26 checks	\$780	\$613.47
\$35 per paycheck x 26 checks	\$910	\$715.72



### New Employee Education, Notifications, and 90-day Opt-Out

Because MSRP is a State employee benefit, employees hired on or after January 1, 2025 will receive education and automatic enrollment FAQs from their respective State benefit coordinators and/or HR directors during new hire orientation/onboarding. MSRP has members of its Member Services Education Team regularly present education on the MSRP benefit during new employee orientation sessions. Additionally, new employees will receive a hard copy letter and FAQs from MSRP's Plan Administrator (currently, Nationwide Retirement Solutions) with the appropriate notifications and information on automatic enrollment.

**All employees who are auto-enrolled in MSRP would have a maximum of 90-days from the date of the first automatic payroll deduction to elect to opt-out and be refunded the amount of the contribution as well as any earnings.** A refund would become taxable income and any State Match amounts may be forfeited. The 90-day timeframe for opting out is the industry standard for automatic enrollment.

As with all retirement accounts, MSRP accounts are administered in accordance with and subject to IRS statutory provisions. Per IRS code, after the 90-day opt out period has passed, an account distribution will be done for employees who meet one of the IRS criteria for distributions (*i.e.*, reach the age of 59 ½, terminate employment with the State, or retire).

**All participants in MSRP are able to adjust their contribution amounts up or down at any time and may also elect to cease or resume all MSRP payroll deductions as they so choose. So, an employee who chooses to cease payroll deductions will never be required to resume the payroll deductions unless s/he chooses to do so.**

***4. I have a plan with my company or the company I work for, and you can have very aggressive investment funds and very conservative, so when they automatically enroll them what investment fund do they put them in?***

The proposed designated default Plan for auto-enrolled new State employees will be the 457 deferred compensation plan (the "457(b)"), and employees will be enrolled into target date fund investment vehicles that correspond to their anticipated retirement date range (which is based upon their year of birth). A 2021 Vanguard Research study (cited in MSRP's Automatic Enrollment Study) found that 99% of the 520 plans surveyed chose target date funds as the designated default investment vehicle for automatic enrollment. In the retirement industry, 457(b) plans are known to provide employees with a high level of flexibility. MSRP notes below the following advantages:

- a) the 457(b) Plan is available to all State employees who are eligible to participate in MSRP;
- b) there is no 10% IRS pre-retirement withdrawal penalty assessed to an employee who leaves State service and chooses to take a withdrawal and *not* roll the account into a new employer's 457(b) plan; and
- c) there is an increased deferral/contribution limit to allow for "catch up" retirement savings during the last 3 years before the employee reaches the standard retirement age.

After an employee is enrolled in MSRP, s/he can select other options from the investment lineup and diversify investments among their options, as they so choose. There are investment options that are appropriate for employees with varying degrees of risk tolerance.

***5. The last piece of opposition I saw was talking about retention, especially with teachers. It said that when there's a defined plan you have a much higher rate of retention of teachers, but when you don't the study shows that the retention level goes down and we have an issue trying to keep teachers as is.***

We agree that having a defined benefit plan is an excellent benefit that will serve to attract and retain employees; the combination of a defined benefit plan with a defined contribution plan, such as MSRP, strengthens the State's ability to compete with the private sector. There are very few private sector organizations that are still offering both a pension and a supplemental retirement savings plan. There are no known plans or discussions relative to the State of Maryland abolishing the pension administered by MSRA. It is an essential State employee benefit.

Teachers in the local boards of education are *technically* eligible but do not participate in MSRP, because the local boards of education legally opted to choose their own in-house supplemental retirement plan options in lieu of having teachers participate in MSRP. The exercise of this option has effectively placed the teachers in the "ineligible for MSRP" category, which is why MSRP does not include teachers in its total of eligible State employees and why teachers will not be auto enrolled in MSRP. With regard to the local boards of education, State Personnel and Pensions § 35–404 sets forth the following: *This section does not prohibit a county board of education from adopting a plan for its employees that qualifies under § 403(b) of the Internal Revenue Code.*

Please let me know if there are any questions. We are happy to provide any additional information you may need. Thank you for your support and sponsorship of Senate Bill 322.